S. Hrg. 98-70

AGRICULTURAL EXPORT TRADE

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 14, S. 18, S. 77, S. 100, S. 124 (TITLE V), S. 251, & S. 398, S. 490, AND S. 575 (TITLE XI)

FEBRUARY 17 AND 25, 1983

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE
18-088 O WASHINGTON : 1983

S161-11

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AGRICULTURAL EXPORT TRADE

THURSDAY, FEBRUARY 17, 1983

U.S. Senate,
Committee on Agriculture, Nutrition, and Forestry,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 628, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee), presiding.

Present: Senators Helms, Dole, Wilson, Huddleston, Zorinski, Melcher, Pryor, Boren, and Heflin.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The Chairman. The committee will come to order.

Today's meeting marks the first hearing of the committee for the 98th Congress, and it comes at a time when the agricultural industry in the United States finds itself in its third year of deep distress.

All across the country, farmers have seen their profits crushed under the combined weight of depressed commodity prices, huge surpluses, declining export markets, and mounting indebtedness. Many of the causes for the present distress in the farm economy, such as good growing weather or weak foreign currencies, are simply beyond the control of any governing body, including this committee.

However, our shrinking export market is one of the principal problems which government policies can affect. This is because the reduction in our overseas markets is due in large measure to the calculated, predatory trading policies of some other nations.

The objective of the legislative process we initiate with these hearings, is twofold: First, Congress must take decisive action to induce other nations to curtail their use of export subsidies in agricultural trade. Such practices undermine the price comparative advantage of U.S. agricultural commodities and product exports. Our failure to undertake unilateral actions to accomplish this first objective will not only result in the undermining of the world trading system, it may also result in the permanent reduction of the agricultural production capacity of the United States.

Obviously, both of these situations are unacceptable to the United States.

Second, we must use every appropriate means at our disposal to encourage and expand the export volume and value of agricultural commodities and products. The value of U.S. agricultural products in fiscal year 1982 was $39 billion, a decline of almost $5 billion from the 1981 level.

This represents the first year-to-year decline in this annual export figure in more than a decade. In the current year USDA is projecting a further decline to $37 billion. This is also obviously undesirable, and we must undertake every practical, reasonable effort to encourage as much agricultural export trade as is competitively possible.

And the key word is "competitively." Every billion dollars of agricultural exports means 35,000 jobs for Americans. Obviously, some of our export problems can be attributed to the strength of the dollar, the world recession, and the lingering impacts of the Soviet grain embargo. Yet, there is no escaping the conclusion that much of the blame for the erosion of our export markets must be laid upon the export policies of predator nations.

These nations, such as the European Economic Community and Brazil, are using massive export subsidies to move their surpluses into world markets, which harms the United States and other competitive export nations. This chart behind me shows the change in exports and subsidies from Europe during a recent 4-year period. During this time, EC farm exports more than doubled, and EC export subsidies tripled.

The amount of subsidy fluctuates from year to year, depending on world economic conditions. But the fact is that the existence of subsidies at all levels—that they exist at all, as a matter of fact—makes a vital difference as to which nation will make a sale.

The poultry industry is a case in point. The second chart demonstrates how the exports of whole chickens from the United States have fallen. Meanwhile, exports from EC and Brazil, two major users of export subsidies, have dramatically increased.

Now, sales of American broilers are not being displaced because of quality considerations. If that were the case, we could not complain, but in fact, our broilers are top quality. Our broilers are not being displaced on the basis of production costs either. Both these factors tend to work in favor of American producers.

Rather, we are losing our markets for this product because of the government-financed subsidies employed by our competitors. Of course, the European farm spokesmen tell us that their intent is merely to be self-sufficient in the production of basic commodities. However, the facts show us that their policy has gotten way out of hand.

This third chart shows that EEC soft wheat prices are not only significantly above world prices; they have stimulated production as much as 20 percent above self-sufficiency. Of course, there will be times when any commodity, such as wheat, is in surplus. The United States has acted responsibly in these times to try to store surplus commodities.

The European Community, however, has been unwilling to share the burden of storing surplus grain. I might mention that while I was in Europe last year, I outlined for the Europeans the numerous policy actions undertaken by the U.S. Government and by U.S. farmers to adjust the supply to the demand.

We have undertaken set-asides and acreage diversion and storage programs, and the like, year in and year out, so that we might responsibly address the fundamentals of the marketplace.

But what about the EEC? The EEC has undertaken no similar action. Indeed, their response has been merely to add fuel to the fire. They have increased their price supports without restricting production.

Now, the fourth chart shows just exactly what the consequences of all of this has been. It is clearly evident that the United States has carried the world's wheat inventory while the EEC has not made a substantial effort to hold their large surpluses. Indeed, our whole complaint is that they have dumped them repeatedly on the world market in a most irresponsible fashion.

I recognize that this is blunt language, but blunt language is needed. The United States needs to put down the flag and say, "No more."

In any case, all this means that the cost of carrying these world stocks and much of the cost of the EEC common agricultural policy is borne by U.S. farmers and U.S. taxpayers.

The European policies of artificially high internal prices and export subsidies, rather than storage of surpluses or production control, has produced a world market situation that has proved to be intolerable. It is one thing for the EEC to achieve self-sufficiency; it is quite another when they exceed self-sufficiency and use artificial subsidies to dump their surpluses onto the world markets.

I will say to my colleagues that EEC's right to swing their export subsidy fist ends at Uncle Sam's nose. At that point, it is time for the U.S. Government to respond in a way that allows U.S. farmers to compete on a fair basis with their counterparts overseas.

This is the reason a number of Senators and Congressmen, at the suggestion of the U.S. Trade Representative and the White House, agreed to spend Thanksgiving week attending the Ministerial Meeting of the General Agreement on Tariffs and Trade, known as GATT; this was in Geneva last November.

The noncompetitive and predatory trading practices employed by other nations had simply become intolerable, and I was asked to go and say that enough is enough. I did that as effectively as I knew how. The numerous bills which the committee will consider as it moves to provide some legislative remedy to the problem are the direct result of the GATT Ministerial.

The message we received from those who are undermining the world trading system with massive export subsidies was this: They said, in effect, "we are not going to change our policies. In fact, we are not even going to discuss them."

But we will see about that. Our message in return to them was: "make no mistake; we intend to stand up for our interests and for our farmers." While it is not likely that we ever will have a completely free trading system in the world, I think it is realistic to expect free trade to be a guiding principle for all countries. Indeed, freedom and fairness have been the hallmark of U.S. trade policy for 35 years.

I am going into this at some length because I wanted to lay the predicate for what these hearings are all about. We have got to ask ourselves some questions. Are we going to take reasonable but decisive action to induce the predator nations to come to the bargaining table, or will we merely allow their irresponsible and destructive policies to continue unaddressed and unchallenged?

This Senator thinks we ought to make it clear that we do not intend to interfere with their domestic policies. If the European Economic Community wants to impose uneconomic policies on its own people, that is their business, but when those policies spill over into world markets and undermine the very foundations of comity and trade among nations, we cannot stand idly by.

This is especially so when there is a direct and immediate impact upon the economic well-being of our people. The members of this committee, the Committee on Agriculture, Nutrition, and Forestry, have risen to the occasion, I think, and in a most responsible manner.

As I have indicated, we have a number of bills, including one that I introduced, the Agricultural Export Equity Act of 1983. It is S. 251. There are at least eight other bills as well. I want to say now that I am especially grateful to Senator Boschwitz, who is chairman of the Subcommittee on Foreign Agricultural Policy; Senator Boschwitz is a knowledgeable leader in the trade issues, and it would be impossible for the committee effectively to deal with this problem without the kind of personal attention he has given to it and will give to it.

At this point, without objection, I ask that additional printed materials be inserted in the record. These materials, I will say to my colleagues, include an article from the Wall Street Journal and a letter to the editor of that publication from an official of the Illinois Department of Agriculture, which demonstrates how the Europeans could act responsibly and still maintain a large agricultural population, if really they desired to do it.

Also, there is an article from the Washington Post which outlines the immediate issues we are dealing with.

Without objection, I would ask that the text of the remarks I delivered to the Swiss-American Chamber of Commerce in Zurich, back on November 24, be made a part of the record.[1]

Those are my opening comments.

Senator Huddleston, I am delighted to see you, and we will recognize you now, sir.

STATEMENT OF HON. WALTER D. HUDDLESTON, A U.S. SENATOR FROM KENTUCKY

Senator HUDDLESTON. Thank you very much, Mr. Chairman. I have a statement that I will submit in its entirety, but would just remark at this time that I concur in the tone of your remarks.[2] I think that all of us know the dire circumstances that are facing the American farmer at the present time.

I think we recognize that in remedying the situation that now exists and providing for the kind of expansion that we are going to need in the future, that export markets are crucial.

You have already correctly pointed out that we have seen a reversal in what has been a very commendable trend over the years in our exports of agricultural products. For the first time in 13 years our exports have decreased with the volume declining by 2 percent and the value declining by 11 percent over the previous year. I think there is reason for concern.

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[1] See pp. 135–144 for the above referred to material inserted by Senator Helms.

[2] See p. 144 for the prepared statement of Senator Huddleston.

And concern is being expressed by Members of the Congress, and is evidenced by the number of bills that have been introduced relating to the subject of this hearing. You mentioned S. 251. Senator Dole has introduced S. 18. Senator Boschwitz has introduced S. 100. Senator Zorinsky has introduced S. 124. Senator Cochran and I have introduced S. 14, the Agriculture Market Expansion Act.

All of these approaches have one thing in common, and that is trying to remedy the situation that exists around the world as far as the ability of the United States to sell its products abroad.

Mr. Chairman, just to further reiterate what you have indicated—and I think we are beginning to understand in the United States—free trade is not necessarily fair trade as it is being applied around the world at the present time.

I know that the enlightened view is and has been for many years that we ought to strive for free trade throughout the world, looking toward the elimination of all tariffs and trade barriers. I think perhaps that is the proper way to go.

But I do not think the United States has to be a patsy to the rest of the traders of the world and sit back and allow our producers to be put at the disadvantage of practices that exist in the various countries that are competing for the sale of agricultural products.

We hear a lot of talk now that we must not do anything that might possibly lead to a trade war. Well, there are trade wars and there are trade wars. But my perception of it is that there have been trade wars ever since two people have had similar products to sell to as many as two other people. There are trade wars going on up and down Main Street America every day. Everybody that has something to sell, I think, is entitled to use the tools he has that might enhance his ability to make a sale.

Many of the provisions of the bills that are currently before us simply do just that: permitting the United States to use the tools that we have, the advantages that we have in a fair and equitable basis, to enhance our opportunity to move the products that we produce in this country. We need to do that.

Already, there are authorizations that seem to me could be helpful in this situation. I was disappointed that the President's budget proposals for fiscal year 1984 reduces by $250 million the allocated funds for direct export credits. And, the budget cuts $1.8 billion from the 1983 level of export credit guarantees.

It seems to me that we are not fully using the tools that are available to us right at this time in addressing the concerns of the American farmers who must depend on export sales.

So, I think it is appropriate and very timely that we move now on remedial legislation to help resolve the economic problems facing the farmers. Certainly the establishment of an aggressive export market development program will be a good first step in that direction.

Mr. Chairman, I applaud you for the part you have played this morning, for the actions you have already taken, and for the fact that we are here today dealing with this important problem.

The CHAIRMAN. Thank you, Senator Huddleston. It occurs to me that we are welcoming for the first hearing that we have conducted our newest member, the distinguished Senator from California. We are delighted to have him as a member of this committee.

Pete, two or three things I will say to you about the Agriculture Committee. It is completely bipartisan. I do not even know the registration of any staff member. All staff members work for all Senators. We have a unanimous recognition that we do not care which party straightens out the country, just so one of them does.

Pete, you will observe time after time the contribution that Senator Huddleston makes. I have said this publicly many times before, and I say it again this morning, that no chairman of the committee was ever more blessed with a ranking member than I am with Senator Huddleston.

Since you were here first, I am going to call on you for your statement. Then we will say good morning to the distinguished chairman of the Finance Committee.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Senator WILSON. Well, thank you very much, Mr. Chairman. I am grateful for your warm welcome and even more grateful for the eloquent definition of the problem which you have given, and I commend your initiative and that of several of our colleagues in having addressed this very critical problem.[1]

I think you have defined it very well, and it is a very heartening thing to me to see not only the members of the committee, but members of the witness panels whom we are about to hear, coming together with virtually a single purpose in mind, and that is to strengthen our agricultural economy so that the American farmer can compete fairly, not just in the United States, but for foreign markets as well.

As you have indicated, the American farmer is in a difficult situation these days with declining prices, and depressed markets. Despite the kind of technological pioneering that has brought about improved productivity and despite the potential represented by foreign markets, our farmers have been hurt not just by the worldwide recession; more importantly, they have been denied access to foreign markets by tactics which we can no longer tolerate.

The world economy seems to be pulling out of its tailspin. There are other conditions, though, that are required for expansion of our foreign markets. These appear to be at hand. Interest rates are falling, lowering the debt burden which has hampered many third world countries from obtaining capital necessary to purchase U.S. export goods.

But while the United States has emphasized free trade in farm programs that do not interfere with the world market, the unfair trading practices of our trading partners and the European Economic Community, in particular, have in recent years been contrary to our own free trade practices. The EEC has used price supports, import protection, and as you have pointed out quite eloquently, massive subsidies to improve its standing in agricultural trade.

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[1] See p. 146 for the prepared statement of Senator Wilson.

EEC export subsidies have increased four-fold since 1973. As a result, EEC imports have declined; EEC exports have increased through the use of these export subsidies. This kind of subsidy program, understandably, has rankled the American farmer who seeks only the opportunity for fair competition.

It is the reason why President Reagan and the Congress must and will press this issue with our Western European trading partners. Countless efforts have been made to negotiate with the EEC with no real progress as a result. Negotiations under the 301 cases before GATT have been proceeding now for years, but have not progressed, certainly not as we had hoped.

The United States can no longer stand by and allow this kind of interference in free trade. The agricultural sector of our economy has had to suffer increasingly unfair trading practices of our competitor nations. We insist that the EEC no longer play by a different set of rules than does the United States.

We cannot ask the American farmer to suffer an unfair situation, nor to suffer it in silence. Bring equity to the game so that we are all playing by the same rules. I am cosponsoring the Export Equity Act, S. 251, introduced by our chairman. This bill will address the opportunity of encouraging other nations to reduce export subsidies while we attempt to increase the export volume and value of American agricultural commodities.

It is legislation intended to send a strong and unmistakable message to the Europeans that we mean business. In addition to the $20 million of the remaining Omnibus Reconciliation Act funds, which have been specified to aid our export of poultry and eggs, I will submit an amendment to achieve the same advantage for raisins and canned fruit, the subject of pending 301 cases. My amendment would provide $15 million for raisins, and $5 million for canned fruit. The growers of raisins and fruit for canning have been hurt very badly by European export subsidies.

This amendment would send a strong message to the EEC regarding the need for more equitable trade practices. Over 100,000 jobs are directly tied to the raisin and canned fruit industries of California. Unfair European competition will cost us those jobs, jobs we cannot afford to lose, if corrective measures are not taken.

Let me say, Mr. Chairman, that these industries have explored every reasonable alternative to address these problems. Previous requests have been made to the Secretary for 1982 Omnibus Budget Reconciliation Act funds. The industries sought $45 million for raisins and $10.4 million for cling peaches and fruit cocktail.

The Secretary has listened with interest to these requests; he is sympathetic. This amendment will give greater impetus to reach a successful conclusion and give the kind of aid necessary for the survival of these industries and of those jobs in California.

The industries have proceeded with GATT negotiations with no resolution of the 301 cases to date. This amendment will provide in the interim the kind of support necessary for the survival of these industries and send that clear, unmistakable message to the EEC.

Ideally, all subsidies should be eliminated so that we can operate in a truly free trade environment. However, in the short term, a

United States program to counter massive export subsidies will help to equalize the unfair advantage enjoyed by the EEC produce under exising EEC subsidies. Later in the day, Frank Light, the president of Sun Diamond Growers of California, and Kalem Barserian, general manager of the Raisin Bargaining Association will be part of a panel this afternoon representing the raisin industry. Rich Peterson, the general manager of the Cling Peach Advisory Board, will represent the canned fruit industry. We have with us this morning Congressman Thomas here to address the situation generally and to support this amendment. I think you will find their testimony to be enlightening as to the problems facing these industries and the necessity of this amendment.

In addition to the Export Equity Act, as our colleague Senator Huddleston has pointed out, several of our colleagues on this committee have introduced important legislation addressing the need to expand our export markets. They have offered worthwhile provisions. I am convinced that working together on this committee, we are going to come forward with the best possible proposals, including the various provisions that they have addressed to bring about a resolution to a problem that we can no longer tolerate.

Mr. Chairman, again I thank you for your initiative in addressing this very serious situation. I thank you for allowing me the opportunity to make these opening remarks.

The CHAIRMAN. Thank you, Senator. We again welcome you and commend you on your eloquent remarks.

Senator Heflin?

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. Mr. Chairman, I think the legislation that has been introduced, differing in form, is directed towards trying to increase the export markets of the United States relative to agricultural products.

I see two important areas to be considered by the committee. One area being lost markets, and the second being increasing the market share in those countries where we have maintained fairly well a viable market in the past. Senator Dole came back from Europe and the GATT conferences last fall and among other things, cited to us the figures that, as far as trade with Russia is concerned, that we had, before the disastrous embargo, 70 percent of the wheat market. Now we are down to 17 percent.

This is an area, it would seem to me that we ought to be directing our attention, that is, toward regaining the lost markets that occurred as a result of the embargo of 1980 and predecessor embargoes possibly that have resulted in a reduction of markets in certain countries for the bounty of American agriculture.

I think we also have to make a concerted effort to increase the market share of U.S. farm products abroad. The concept of the Cochran-Huddleston bill of a bonus or an incentive for a country to increase its purchases of agricultural products of the United States is basically good. I think that any program designed to bring about an increase of U.S. food and fiber in world markets is good and should be pursued.

On the other hand, there are some dangers relative to giving as an incentive additional commodities to a country. It could well be that that country could change the form of the product, send it back, and be in competition with the domestic market.

For example, I am worried a bit about the export PIK program dealing in cotton whereby U.S. cotton could go to a foreign country and subsequently come back to our country in the form of textile products which would, in effect, have some ill effect upon our domestic textile industry.

The poultry and egg export situation is a serious problem. I see the figures indicating to me that France has set out with some sort of a sinister goal in mind relative to the poultry and egg markets of the world.

For a country that size to be paying the subsidies that they are paying their poultry and egg producers would indicate to me there is a long-range goal; whether that goal be to corner the egg and poultry export market, I do not know. But we see a country which is using a very high percentage of its gross national product and its government expenditures to try to obtain additional markets abroad—and in the last 4 or 5 years they certainly have moved successfully in that direction. I do think a further investigation into the agricultural trade practices of European Common Market countries, and in particular, France, is needed and, indeed, is in order.

Now, I believe in free trade, but I think that in free trade, there have to be willing partners. If, however, one partner is engaging in free trade and the other one is not, then there are serious consequences. There is an absence of good faith and reciprocity.

I think we are in a trade war. I think the time has come for the United States to stop retreating and to take affirmative action to bring about a counterattack on the predatory actions that have been taken by some of our alleged partners who claim that we ought to adhere to the concepts of free trade.

I look forward to the testimony in this hearing today. Hopefully we can come up with a solution that will regain lost markets for U.S. agriculture and can increase the export markets for the agricultural products of the United States. Our farmers need more and better world markets for their products in order to improve their income.

The CHAIRMAN. Thank you, Senator Heflin.

Senator Dole?

STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

Senator DOLE. Mr. Chairman, thank you very much. I will ask permission to put my statement in the record.[1] I know there are a number of outstanding colleagues waiting to testify plus other witnesses, and I appreciate, first of all, the leadership of the chairman of this committee and the ranking member, Senator Huddleston; it has been outstanding and it is very helpful to all of us. We appreciate the early attention to what I consider to be the most important problem.

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[1] See p. 148 for the prepared statement of Senator Dole.

Senator Heflin has put his finger on it. We need to indicate that we are competitive. We need a few more flour sales or broiler sales to other countries to demonstrate to the rest of the world that we mean business. Of course, if we are dealing with processed food, that means more jobs in this country. So I would much rather have the flour delivered than the wheat, although we are anxious to deliver wheat also. We have enough of it.

It seems to me that with the strong commitment that nearly everyone in this Congress has to agriculture, we should be able to enact this legislation very quickly, as well as other trade legislation which we are working on in the Senate Finance Committee.

I would also say that we are working on the elevator bankruptcy bill, which is very important to farmers, and has passed the Senate four times. We hope to pass it again soon in the Senate. We hope Bill and Doug can help us on the House side. We know there is a problem.

We also are working in the Senate Finance Committee at the urging of the chairman of this committee and others to take care of the clarification on the so-called PIK tax. A lot of farmers are not going to sign up unless they pay taxes when they cash in the certificate, which might be this year and it might be next year.

There are strong efforts in both the House and Senate to clarify this matter. I know Senator Grassley has a particular interest in it and Senator Jepsen, Senator Wallop, and Senator Huddleston, and others do also.

We are going to act very quickly on the PIK-tax issue in the Senate Finance Committee. We are also having hearings in the Courts Subcommittee on farm bankruptcies. They are scheduled for March 14, to discuss ways to alleviate some of the distress that some farmers find themselves in because of depressed conditions they have had.

Back to export legislation, I'd suggest we need to provide a certain amount of flexibility. We need to make certain that we are going to have an impact worldwide or it does not do much good to pass the legislation. I think we should have negotiations on a long-term agreement with the Soviets. Senator Heflin mentioned the embargo. We are happy that the embargo was lifted, but we are disappointed that because no one is talking to the Soviets about a long-term agreement, except for the routine contacts that you have to have.

Senator Jepsen and I had lunch with Soviet Ambassador Dobrynin about 10 days ago, and he indicated that nobody is talking about a long-term agreement in this administration. Without it, I think we are going to continue to have some problems.

We applaud the lifting of the embargo. We would applaud more if a diligent effort was made to sell some commodities to the Soviet Union. You cannot sell unless you knock on the door. Not many purchasers are going to come running to us, particularly the Soviet Union. There may be good reasons why that has not happened, but it would seem to me that this is an area that we should address.

Then, finally, our farm initiatives have to be cost effective. Let us face it. We have to reduce the deficit. We are all from farm States. We know the problems the farmers are having. But one of their problems is high interest rates, which are caused by large deficits.

So, I have suggested—maybe it is not too popular—but perhaps we should put a constraint on target price increases for awhile and put some of that money into export programs. This way the farmers would in effect be making a contribution to export programs, rather than to say, I want all the target prices plus I want a lot more for exports.

In my view, this would raise the market prices, and farmers would be better off than they would be with the scheduled target price increases or we could at least reduce a portion of the target price increases. We hope the different farm organizations and commodity groups, would address this issue.

We have a real problem on the deficit side, and we are going to have to cooperate if we want interest rates to come down.

The best farm program we could have would be lower interest rates and an improved export market. I think we are going to have a better export market, based on what the chairman and other members are starting here today, and we will have lower interest rates if we can all work together to reduce Federal spending.

The CHAIRMAN. Thank you, Senator Dole.

Our first panel this morning consists of four—Oh, I am sorry. Senator Pryor. Yes, sir. I did not see you come in. I am sorry.

Senator PRYOR. I would just like to make a couple of points.

The CHAIRMAN. Certainly.

Senator PRYOR. I will not take long.[1]

The CHAIRMAN. Will you forgive me? I did not know that you were here.

STATEMENT OF HON. DAVID H. PRYOR, A U.S. SENATOR FROM ARKANSAS

Senator PRYOR. Mr. Chairman, I think that there is a perception out there in the country among farmers today that many of the policies that affect them, that impact agriculture in America today are not necessarily being made by the U.S. Department of Agriculture, but by the Office of Management and Budget, and especially at the State Department.

In recognizing this perception—and frankly I think it is a valid perception; I think it is justified—I have introduced legislation in the last session of Congress and will reintroduce legislation today to create within the State Department an Undersecretary of State for Agricultural Affairs.

I strongly believe today that when we talk about embargoes, when we talk about tariffs, when we talk about trade, when we talk about imports and all of this, that somewhere in that channel of decisionmaking, the farmer today is not being actually represented. I feel that an Undersecretary for Agricultural Affairs would be the advocate at the State Department to be the spokesperson for the farmer in America.

I think it is critical. I think it is absolutely critical. I am looking for cosponsors and will reintroduce that legislation today.

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[1] See p. 149 for the prepared statement of Senator Pryor.

My second point, Mr. Chairman, and my final point, is that I am hopeful that we can explore something that is pretty primitive and tribal in nature, I think, but I would like for us to at least explore the possibility of a barter system.

I think that once again it is time for the concept of barter, of trading our grain and trading our food for minerals, for oil, for whatever some of these underdeveloped countries might have when they do not have the currency to purchase. We have something they need, and that is food and they have something we need and that is valuable minerals, or other natural resources.

I hope that we will explore that and not proceed with a closed mind to the concept of barter. There has been a lot written in the last couple of years about it, and I am trying to formulate some type of approach to it. I have not been completely successful thus far, and I would invite any suggestions from my colleagues on the committee, and certainly from you, Mr. Chairman.

Those are the two points I wanted to make. I do have a statement I would like to insert.

The CHAIRMAN. Senator Pryor, the former chairman of this committee, Herman Talmadge, used to say, you know, they have an African desk down there at the State Department. They have a European desk. They have an East Asian desk. I wish they had an American desk.

Senator PRYOR. We need a farmer's desk. I can tell you that.

The CHAIRMAN. Yes, sir. I thank you very much.

Our panel this morning consists of four members of Congress. On the Senate side, Mack Mattingly of Georgia, Chuck Grassley of Iowa. And from the House side, Doug Bereuter from Nebraska and Bill Thomas from California. We welcome each of you gentlemen and appreciate your coming. If you want to flip coins to decide who goes first, that suits me. Don't everybody speak at once.

Senator MATTINGLY. I will go first.

The CHAIRMAN. Senator Mattingly.

STATEMENT OF HON. MACK MATTINGLY, A U.S. SENATOR FROM GEORGIA

Senator MATTINGLY. First, I would like to thank you, Mr. Chairman, for another opportunity to speak before your committee. I believe this is the third time I have appeared, and at the risk of repeating myself, I want to continue to express my dissatisfaction with the lack of cooperation and understanding on agricultural issues first displayed by the Europeans and other trading partners at the GATT Ministerial Meeting last November.

My bill, Senate bill 3049, one of the first "export enhancement" measures to be introduced in the 97th Congress, was the result of what I heard and witnessed in Geneva. The broader version introduced last month, Senate bill 77, is one of the many proposals that we are discussing here today.

As you know, Mr. Chairman, there are several current proposals concerning farm trade, and I commend you on your own bill. While this committee must consider all aspects of these many proposals, I urge it to be done promptly. The single most important piece of legislation this Congress can pass now is one which expresses a sense of the Congress and of the American people that the unfair farm subsidies used by our trading partners will no longer be tolerated.

At the same time, the legislation must be flexible enough to respond instantly to the changing market situation and the changing attitudes of our trading partners, which this legislation hopefully will induce.

We should give full discretionary power to the Secretary of Agriculture and others so that our laws governing farm trade are not inflexible.

Finally, I believe this legislation should focus on value-added exports. I commend the administration's recognition of the benefits value-added exports bring to the domestic economy and to the balance of trade as evidenced by the recent announcement of the Egyptian wheat flour agreement.

In this regard, I believe the poultry and egg exports are the obvious targets of our next export subsidy program. However, we must not delay in showing our strength. The most important priority is to enact measures designed to regain our fair share of the export market for all farm goods, including poultry and eggs, that has been taken away from us due to unfair trade practices used by our foreign competitors.

In summary, I am not suggesting that we enact a declaration of trade war, but rather that we send a strong signal to our trading partners that we really mean business. Merely making threats and cajoling our trading partners are no longer sufficient ways to resolve this serious situation.

We must back up our threats with meaningful actions to bring our trading partners to the negotiating table, knowing that the United States is serious about correcting the imbalance that now exists in our farm export trade.

I urge you and your colleagues to act expeditiously on this matter. Today, I am sending a letter, which I would like to submit for the record, to Secretaries Block, and Lyng, and also Ambassadors Brock and McDonald and to Secretary Schultz, urging their support and asking for their cooperation in acting upon this issue with the same sense of urgency that I suggest that we act here today.

And I ask the chairman that a copy of this letter be placed in the record.

The CHAIRMAN. Without objection.

[The letter from Senator Mattingly follows:]

Hon. JOHN BLOCK,
Secretary, U.S. Department of Agriculture,
Washington, D.C.

DEAR SECRETARY BLOCK: In your recent statement before the Joint Economic Committee on January 31, 1983, you stated that ". . . our farm export markets are being seriously undercut by unfair competition from the European Community (EC) and other nations."

Nowhere is this fact more evident that in the area of poultry and egg product trading. I refer again to your statement in which you mentioned that the EC share of the whole chicken import market in the Middle East rose from 3 percent in 1964 to 46 percent in 1980, while the U.S. share decreased from 97 to 13 percent during the same period. I find these numbers astounding and the trend disturbing. The U.S. must respond with firm and meaningful action, before our competitiveness in foreign markets further deteriorates due to unfair competition.

You are aware of the legislation I introduced last session and again in the 98th Congress which proposes the creation of a targeted export subsidy program for U.S. poultry and egg exporters. The intent of my legislation is to retain our fair share of the export market that has been taken away from us by the use of unfair trading practices on the part of our foreign competitors. Such balancing measures are consistent with our GATT obligations so long as their application does not result in our obtaining more than an equitable share in world export trade of the particular commodity. Evidence by the statistics stated above, the need to enact measures to keep U.S. egg and poultry products competitive and to recoup our share in the world marketplace has never been as clear as it is today.

In the wake of the favorable reception following the announcement of the Egyptian wheat-flour sale, this concept is gaining momentum. We must ensure that this tool is used discretely and timely so that the thrust is not weakened. In our pursuit of fair trade, I believe the U.S. poultry and egg producers are the obvious targets for the next export subsidy program. By aiding value-added exports this program will also help create new U.S. jobs at a time when they are desperately needed.

I must stress the importance of acting now. The time is right to pursue these measures. We cannot afford to let it pass. If we are to actually pursue our protests against massive European and Brazilian export subsidies on poultry with thoughtful action, we must combine our resources and focus on the issue—now! I hope that you are as anxious to do so as I am. I urge your support and cooperation.

Sincerely,

MACK MATTINGLY.

Senator MATTINGLY. Mr. Chairman, just in conclusion, you know, I think it is almost time to stop all the letter writing and maybe even stop all the hearings. It is just time to act.

Thank you very much.

The CHAIRMAN. Thank you, Senator.

Senator Grassley.

STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. Mr. Chairman, it could not have been said better than the last sentence by my colleague from Georgia.[1] America is losing its leadership in world trade just as we have lost our leadership in diplomacy and military matters in the free world. Hopefully, we are reestablishing our diplomacy and military leadership. But for too long, as Senator Huddleston said, the enlightened view in this country is for free trade without a comparable view that it ought to be fair trade, that somehow America could promote free trade, even if it did not look out for its own self-interest.

The time has come that we have to start looking out for our own self-interest. As we have lost our leadership in world trade, the attitude toward the United States is that we have cried wolf too many times and that we are a paper tiger.

Unless we quickly back up our words with actions, we are going to further deteriorate our position. I came away from the GATT meeting at Thanksgiving very depressed. I went there hoping to accomplish a great deal to further the cause of world trade and further the promotion of American agricultural products in world trade.

Unfortunately, it was not even on the agenda at the preconference talks. Eventually, however, the Europeans decided it was something that they would be willing to talk about and included several statements in the consensus document. However, after these statements, Wilhelm Haverkamp, vice president of the Common Market's Policy Making Commission stated emphatically that endorsement of the document was not a commitment to any new negotiations or obligations in relationship to agriculture.

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[1] See p. 153 for the prepared statement of Senator Grassley.

Now, that is the attitude that is still prevailing. That is the attitude that we have to counter. That is the attitude that comes from the fact that they see our country as a country that cries wolf and acts like a paper tiger. So, we have to follow our statements in the world community with actions.

The legislation that is proposed here is a start, but unless it is carried out, it will not accomplish the goals that it should accomplish.

I think we can do the European politicians themselves a favor, acting through international negotiations and by pushing their leaders to the brink, as a result of visits like I had with European parliamentarians the week before GATT, in Germany and Austria. They know that these policies are not good for their consumers or good for their long-term goals of benefiting from free trade as we do.

And I, in a sense, even though they did not say this specifically—felt, they would rather not talk the issue, as if it was somewhat of an embarrassment. But I think I felt an invitation from them for us to help them solve this problem.

I believe through international diplomacy and through the instrument of GATT, we can serve the cause of free trade. I look at this as something not only benefiting America, but all the free world where we are going to expand the world's economy to solve the unemployment problem as well as the agricultural problem. Through these instruments we can serve the purpose of free trade by forcing parochial politicians in European nations to change their policies, as we have through the use of the International Monetary Fund for politicians of Brazil, Mexico, and Chile to change their own domestic policies—changes that they otherwise would not have had the intestinal fortitude to do in order to accomplish the benefits of the IMF lending.

But in acting to recapture our leadership, we need to push aside the impression that people have of us as a paper tiger in international affairs, and still not forget our goal of free trade.

Before Christmas I wrote the President asking him to convene a Domestic Economic & Trade Summit to bring together the best bipartisan views of government, business, labor, agriculture, and academia—to study this issue as President Nixon and President Kennedy did, so that we can meet the challenge of the eighties the same way that we met the challenges of the sixties and the seventies.

I think now is the time for our President to call together a bipartisan group of individuals as President Kennedy and President Nixon did, to establish a long-term policy in international trade for this country.

The bottom line of all this must be the preservation of the principle of free and fair trade or the entire free world is going to suffer. Recapturing of America's leadership in free trade is as important as the recapturing of our leadership in military and diplomatic matters in the free world.

Thank you, Mr. Chairman.

The **CHAIRMAN**. Thank you, Senator.

Mr. Thomas.

STATEMENT OF HON. WILLIAM M. THOMAS, REPRESENTATIVE IN CONGRESS FROM THE 18TH DISTRICT OF CALIFORNIA

Mr. **THOMAS**. Thank you, Mr. Chairman. I am pleased to have this opportunity to testify on agricultural export issues, as well.[1]

Now, like all of us present, I do not want to see a permanent system of U.S. export subsidies established. However, I also believe enough is enough. All of the bills mentioned, and especially Senate bill 251, address what are clearly substantial trade problems.

I am very much in favor of the export payment in kind program that has been included in S. 251 as well. And I would hope, Mr. Chairman and other members, that you would support my friend and your colleague, Senator Wilson's proposal, to provide the appropriate export assistance for raisins and canned fruit.

There is a strong case for amending S. 251 to provide support for these two industries. Both have attempted, without success, to obtain relief under the GATT. The raisin industry is engaged in a costly export promotion program at its own expense. You will hear details of that later this afternoon.

But in spite of these efforts, European Community practices severely limit our raisin and canned fruit exports. Now, I think everyone understands why we are here. The chairman, in his opening statement, I think pointed out very clearly the specific numbers. We could go on and on in terms of the European Community's exploitation leading the Community's becoming a major exporter of a number of products.

When our exporters have sought relief under GATT, the Community has claimed that we were improperly treating the dispute procedures as a legal solution. At the same time, though, the Community has used the same dispute settlement processes to delay action on trade matters encompassed in what we call section 301 complaints.

We have had year upon year upon year of delay by the European Community in attempting to settle through international legal channels. I have tried to point out to the European Community, most recently in January of this year, at a European Parliament-Congressional Delegation Conference—and I would like to submit for the record, Mr. Chairman, a paper I delivered to members of the European Parliament at that time.[1]

I have tried to point out to them that our producers believe that the European Community, Japan, and others are taking advantage of the United States, and that what was formerly a bulwark of free trade in the United States, the American farmer, is in danger of joining a protectionist coalition, and that this Government is, has, and will continue to respond to the American farmer's very real concern.

I believe, however, that unless dramatic steps are taken to show how serious we are, there is going to be no chance whatsoever. I have spoken with the Europeans over and over again about this point. As I said, most recently in January—between the bilateral meetings in the United States and the bilateral meetings in Brussels in February, the Europeans continued to stonewall the trade problem.

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[1] See p. 153 for the prepared statement of Congressman Thomas and p. 155 for the paper submitted to the European Parliament.

I think the only advantage, Senator Pryor, of these two bilateral meetings was that finally by February in Brussels, the State Department began to understand that the Europeans simply will not move as long as we talk.

It is interesting to note that when the wheat flour deal was announced, the Europeans responded by removing that as one of the items of discussion. I think perhaps that should teach us a lesson, and we ought to go down item by item until there are no longer any other issues to discuss. I think the only alternative left to us is to enter into an export promotion program.

And the export promotion programs this committee is considering, I think, offer our farmers and our negotiators tools needed to achieve progress on trade issues. I hope this committee will act quickly in order to make such progress possible.

Thank you very much, Mr. Chairman.

The **CHAIRMAN**. Thank you, sir.

Congressman Bereuter.

STATEMENT OF HON. DOUGLAS K. BEREUTER, REPRESENTATIVE IN CONGRESS FROM THE FIRST DISTRICT OF NEBRASKA

Mr. **BEREUTER**. Thank you, Chairman Helms and members of the Senate Agriculture Committee. It is a pleasure to accept your invitation to come here today and visit informally about some of the impressions I have concerning the European Community and U.S. agricultural trade policies, and I would also like to talk about Japan and the United States, as well.

It was my special privilege to accompany Senator Dole as a part of an agricultural trade promotion delegation to the U.S.-U.S.S.R. Trade and Economic Council, and then to join a good many of you, including the two Senators at the table here, at the GATT Conference.

I would like to divide my comments into three general areas today: First, the European Community and our agricultural trade policies with respect to the Community; second, Japan and America interrelationships; and third, to perhaps suggest some ways of looking at our agricultural situation today in the United States and making a positive characteristic out of what we have.

You know, of course, one's expectation is all important in determining whether or not one considers the GATT Conference to be a success. I think in many ways we ought to consider it a success. It depends upon the expectation, but clearly, for the first time, we made agriculture a prominent issue at that GATT Conference.

In fact, if it had not been for the persistence of our delegation, that Ministerial Conference would not have been held in the first place because certainly the European Community did not want to bring matters of agricultural export subsidies to the table.

I think perhaps for the first time ever we had all of the nations of the world which are members of GATT, those 88 countries lined up with the United States in protesting what the European Community is really doing. I think the statistics that are presented here today are very helpful in developing an understanding that is absent today in general in the American public and indeed among some policymakers.

That is that agriculture in the European Community has reached a new plateau. It was one thing for the European Community to set up high tariff and nontariff barriers around Europe. We could tolerate that, frankly, because of the heavy balance of payments that worked in our favor with the European continent. But now they are systematically and intentionally producing surpluses. All you have to do is take a look at the egg hatch figures month by month, take a look at the acreage devoted to wheat production and to sugar beets, and you understand indeed that they are systematically producing surpluses.

To make it even more irritating, in many cases what they are producing they may very well be unable to sell in their own nations.

I think we ought to really concentrate on seeing whether in fact those broilers being exported by France today really would meet French standards. We have continued allegations that they would not. I suppose, however, that what irritates the American farmer—and this gentleman—most is the fact that those export subsidies are in large part financed by the American people.

I think you can make a case accurately that import duties, or whatever way you care to characterize them, are, in fact, helping to provide those export subsidies, duties on American imported agricultural goods.

Sir Roy Denman, the EC emissary to the United States on trade matters, addressing us very candidly one day, as the chairman and Senator Dole will recall, said, basically, to us: "You made your bed several years ago, and we are not about to open it up again. We are not going to let you escape that bed this easily."

Of course, we do hear about our subsidies. Our hands are not clean with respect to agricultural subsidies. I could mention a few areas, but I think you understand where those areas are where we perhaps need to correct our own situation.

But, I think, an important distinction must be made, and that distinction is that in large part our subsidies are aimed at reducing production. So you can say, while we are reducing production by subsidy, the French, in particular, and some other European nations are right there to move in and take those markets away from us. That is an important distinction that needs to be made and emphasized again and again, in my judgment.

I happen to serve on the House Banking Committee and I am a new member of the House Foreign Affairs Committee and the International Economic Policy and Trade Subcommittee of that committee. I think it is important, therefore, for me to emphasize one condition with respect to our international debt, a serious condition within the world today.

What the European Community did for sugar was absolutely devastating and irresponsible. I do not happen to have a sugar constituency, and indeed, the United States, despite some hurt, could take what happened. But we have a good many nations in the world that are one and two commodity nations. I point to the Caribbean, the East Indies.

What the Europeans did by their sugar policies absolutely devastated these nations. Of course, I do not think I need to remind you that at this time we are being asked to replenish the International Monetary Fund and the three regional development banks at the same time. Now, if you take a look at what has happened, it is not that we are being denied the European markets that is crucial; it is that we are being taken out of third nation markets.

It is easy to understand when Brazil is cut out of European markets for broilers and other poultry products, and when we have a worldwide recession that reduces the amount of demand for their iron ore, naturally they have balance of payments problems.

Naturally they are taking us out of the market in the Middle East on poultry and broilers. They are selling at a loss. I have a direct example in my own district where the largest egg processing firm in the Nation has just been taken out of the market in Japan by French egg products.

Well, I hope I have made a few interesting points about the European Community and what they are doing today in Third World nations and third nation markets.

Second, with respect to Japan and the United States: I have to admit that my district is typically No. 1 in processing red meat, and I am particularly unhappy with respect to the quotas that they have set on citrus products and on beef. We have some inequitable situations with respect to tobacco, too, but I think the chairman and other members are much more knowledgeable about that situation than I.

Having spent some time with members of the Japanese Diet in 1981, I think I have a little bit better understanding of why we have the difficulty in increasing those quotas that are set on beef and citrus products because there is a very heavy demand for American beef. We have proved that at trade show after trade show when we are selling it for three times what we would sell it for in this country.

Indeed, the citrus product of that country does not lend itself to producing orange juice. The roots of the Liberal Democratic party that controls the Japanese Diet, of course, are found in rural areas of Japan. The Japanese Diet has not been reapportioned since MacArthur. So you see why we have part of the situation that we do.

We have a consumer-producer cooperative called Nokyo with over 5 million members today. These factors certainly have an effect upon the Japanese Diet and the Liberal Democratic party that controls it.

A number of Australian and New Zealand agricultural economists have looked at that situation rather carefully. We have an American expert that has done similar work, by the name of Fred Sanderson. Rather than always adjusting the quota upward—and we tried to do that without much success—rather than this kind of marginal change, I think we ought to ask that quotas be eliminated altogether. Free trade ought to work both ways.

I have a hard time explaining to my constituents why it does not, particularly when they are out of work in Goodyear plants and no longer making television sets. In fact, if the Japanese want to maintain some degree of agricultural independence or food independence—and I can understand that need—they can do it by direct subsidy.

They can maintain at least 25-percent duty on imported American beef and by direct subsidy they can open up those beef markets. The benefits to the Japanese consumer will far outweigh the cost to the Japanese Government, particularly since our producers will continue to pay through duty a part of those costs.

That is an argument—and there are many other variations of approaches that could be taken—that is an argument that I made in a special order of December 18 of last year. I would like to leave copies of this and ask if you would put it in the record, a copy of remarks, a special order on Japan-United States agricultural trade relations.[1] I think that one difficulty Americans have when we negotiate with the Japanese is that we are simply disarmed by their politeness. We have overcome that hesitation.

Finally, I would like to suggest that we have tremendous assets today in this country and the world's largest wheat and feed grain reserves, the largest ever, just to mention two commodity areas. Those create problems for us, obviously, in low commodity prices and those tremendous storage costs that we are bearing today. But we ought to think of them as assets.

I would like to commend Senator Pryor, who unfortunately has left, so he is not going to hear this commendation—for bringing up the word "barter," because it takes some courage to bring up that term. It has all kinds of negative economic baggage that accrues to it.

But it seems to me that we ought to look beyond that kind of immediate reaction at some of the possibilities that are offered by barter, by swapping, particularly when we are talking about nation-to-nation barter, when most of those kind of limitations or deficiencies of the barter system really do not apply.

About 2 years ago, the Venezuelan Embassy, the Ambassador from Venezuela to the United States asked me if we would be interested in a direct barter arrangement on American agricultural products for Venezuelan oil for our strategic petroleum reserve.

Standing right next to me were people from the State Department. I was new on the scene. They did not have any idea who I was. The discussion of barter was quickly crushed at that point by these State Department officials. Lately members of our committee have been in Africa, and of course, you know the level of nutritional deficiency and starvation in parts of Africa are very severe today. And yet some of these nations, like Zimbabwe and Zaire, are producing most of the free world's supply of some of our critical strategic minerals.

They asked us whether we would be interested in replenishing our strategic mineral reserves by trading for agricultural products; an unofficial kind of request, but I think it is something that should be pursued.

Many times we have people suggest that, in fact, we need to be concerned about making these nations perpetually dependent upon our agricultural supplies and our processed food. And that is a very legitimate concern. But I think there are many ways to overcome that concern. Some of our programs are now geared toward overcoming that concern.

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[1] See p. 157 for the material submitted by Representative Bereuter.

But we might also look to nations like India which has been pursuing a food-for-work program, the roots of which trace clear back to the 19th century and the British Empire. I think we could well arrange some programs with some of these nations that have the problems of starvation and nutritional deficiencies whereby they set out a work program that is aimed specifically at agricultural production and rural development. Let them choose what the program is; their people work in those areas. So we, in fact, are helping them to move ahead in agricultural production.

I happen to think that the sale of 1 million metric tons of wheat flour to Egypt was one of the greatest things that has happened lately. I am extremely pleased about that because it was a direct message and it was sent to the right trading competitor. The USDA handled it extremely well.

I am a little bit concerned about Secretary Schultz's comments as reported in the Washington Post the other day, but then I read the report in the New York Times and thought, well, perhaps that was a more accurate look at what the Secretary said.

Among other things, he said we ought to, of course, avoid a trade war in the agricultural front or any other front. But if we are forced to it, the United States has very deep pockets, indeed. But I would suggest that we could move from one end of the process, from the subsidy aimed at not producing, to agriculture export subsidy, a small share of those funds, and our pockets would indeed be very deep.

Mr. Chairman and members of the committee, I am pleased to share some of my thoughts on these subjects with you, and I look forward to working with you. I would like to suggest that many of the bills that have been mentioned here today, your own, the Dole bill, the Cochran-Huddleston bill, others that I have not seen, have some of these incentives and creative uses of our agricultural surpluses. I commend you for your efforts. I would like also to suggest to you that as one small element, you might like to consider a bill by Congressman Daschle and myself, a bill I first introduced last Congress, which is specifically aimed at agricultural trade reciprocity, and include it as a part of an omnibus bill. Thank you very much.[1]

The CHAIRMAN. Congressman Bereuter, thank you very much. I do not know whether there are any Nebraskans here this morning or not, but I recall. [Laughter.]

I mean in the audience. You are a great Nebraskan, and we are glad you are here. And I remember a discussion—I was about to say confrontation; it really was not that because it was too polite—which Congressman Bereuter and I had with the Japanese delegation in Geneva.

We exchanged our business cards as we always do and bowed and the rest of it and we were very polite. I took note of the fact that each of the four Japanese gentlemen was smoking cigarettes one after another, pulling them out of this pocket and that pocket.

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[1] See p. 163 for a reprint of H.R. 1240.

I noticed that every one of them was an American brand. And yet we are having great difficulty with the Japanese about even allowing American cigarettes to be sold in much of their country.

So I asked them where they got the cigarettes, and they kind of blushed and said that they got them in Japan, but they had to get them from under the counter. [Laughter.]

But Congressman Bereuter, he sat there and enjoyed as much of that politeness as he could, and then he got down to brass tacks and talked about getting more U.S. beef into Japan. I was very much impressed with your activity and conduct there.

Well, we thank you very much.

Mr. BEREUTER. I might say, you are going to hear from two Nebraska wheat growers this afternoon, and I am pleased that they are on your agenda.

The CHAIRMAN. Good. We have two panels—we are running a little bit late—from whom we will hear this morning and then we will have an afternoon session.

And I guess it would be appropriate to lay down some agreed upon ground rules so that we will conserve as much time as possible. If you have prepared statements, then if you would not mind, let us assure you that they will be made a part of the record in their entirety. Then you can summarize.

Senator BOREN. Mr. Chairman, I wonder if those members of the committee who came in late, too, to conserve time that have opening statements could just insert in the record.

The CHAIRMAN. Certainly. Certainly. If you would like time——

Senator BOREN. No, sir. I think I would rather hear from the panelists. I would just like leave to submit a statement.[1]

The CHAIRMAN. Well, I thank the Senator, and of course, his statement will be given a proper place in the record.

We will now hear from the farm trade organization panel. It says here on the agenda, two fine leaders, Robert Delano, who is the president of the American Farm Bureau Federation, and Bill Gaston, who is president of Goldkist and chairman of Blue Ribbon Trade Committee of the National Council of Farmer Cooperatives.

Bob, we welcome you and you may proceed.

Mr. DELANO. All right, Mr. Chairman.

Senator DOLE. Could I just interrupt. Did you bring some fellow with you this morning, Bob?

Mr. DELANO. Mr. Glen Tussey is with me.

Senator DOLE. Glen is an outstanding former staff member of this committee and he comes from North Carolina.

The CHAIRMAN. Where is he?

Senator DOLE. My wife would be mad if I did not——

The CHAIRMAN. Glen, we are glad to see you. You certainly know what I am talking about when I talk about Japanese cigarettes or American cigarettes in Japan.

Thank you, Bob.

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[1] See p. 150 for the prepared statement of Senator Boren.

STATEMENT OF ROBERT DELANO, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. DELANO. Mr. Chairman and members of the committee, I have a prepared statement. Maybe I should say who I am. I am Robert B. Delano. I am president of the American Farm Bureau Federation. I am a native of Virginia. I am also a farmer; corn, wheat, and soybean farmer.

I have a statement I would like to submit, and in the interest of saving time, I will make a few remarks.[1]

The CHAIRMAN. Thank you, sir.

Mr. DELANO. I think one of the major concerns that farmers have or have had and still continue to have is, No. 1, access to markets. I think the Congress gave us the sanctity of contract which helped in that respect of being sure that we could be sure that we delivered these products once we had made a contract.

I think another point is that we are interested in retention of the present markets, and you gave us the blended credit program, even though it was a little small. We would have liked to have had a little more money, but it was an excellent tool that we could use.

Our interest today, in discussion of this legislation, is the expansion of markets, and we are looking at tools. In my interpretation, we are talking about tools as to how we can retain those markets that we have and also expand our opportunity to sell agricultural products abroad.

Now, we have been—we, the United States, I feel, has been one of the major proponents of free trade, along with some other countries in the world. I happen to use the term freer trade, rather than free trade because I think in the context of interest of trade—I don't know, as was mentioned earlier, whether we will ever have free trade. But we can have freer trade.

I think freer trade is one of the ingredients necessary for the recovery of the recession that is existing in the world today.

We are members of the General Agreement on Tariffs and Trade. And I think within that structure, imperfect as it is, I think we should be conscious of our obligations to GATT and working within that structure and the principles of GATT to work toward freer trade around the world.

I am not familiar with all of the legislation that is before the committee, and certainly I compliment various members of the committee for the legislation that has been introduced to accomplish some of the principles that I reiterated earlier.

But I do have some concerns relative to our obligations under the General Agreement on Tariffs and Trade and relative to the mandated versus discretionary aspect of some of the legislation; that if within the legislation we mandate to the Secretary of Agriculture to spend *x* amount of money on a line item basis and the European Community, as an example, would take this case to GATT and find that we are in violation of the GATT principle, then we would be locked into a position that would be difficult to retreat from.

So, I raise this as a concern and to reiterate the point that we are members of GATT. It is a structure that we trade within, and certainly we should maintain the structure of GATT and try to make it work as we have it now in the world.

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[1] See p. 170 for the prepared statement of Mr. Delano.

Thank you, sir.

The CHAIRMAN. Thank you.

We welcome you, sir.

Mr. GASTON. Mr. Chairman, I am Bill Gaston, president of Goldkist, a regional marketing and supply cooperative in Atlanta.

I would like to try to summarize the longer statement that I submitted in writing.[1]

The CHAIRMAN. Thank you, sir.

STATEMENT OF WILLIAM W. GASTON, PRESIDENT, GOLDKIST, INC., ATLANTA, GA., AND CHAIRMAN, BLUE RIBBON TRADE COMMITTEE OF THE NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. GASTON. I will try not to cover the same ground that has been covered before, in the interest of time.

I am here today as the representative or the chairman of the National Council of Farmer Cooperatives, Blue Ribbon Trade Committee. This committee is made up of 10 representatives of cooperatives in the major activities throughout the United States.

We have 10 officers and directors of these cooperatives represented on the Blue Ribbon Trade Committee. We have been meeting over the past 6 months trying to determine what may be best for expansion of our international trade. We firmly believe that an improvement in the agricultural economy will occur through the enactment of programs which will reduce the domestic carryover stocks and the improvement will come about by improving agricultural export volumes and values.

As has been stated here today, the export values and volumes have been declining. In 1982, the first time since 1969, the volumes and values declined. We feel that there are six reasons for these declines. Some of those have been mentioned.

First, of course, is the worldwide recession which has dampened demand for agricultural products. Second is the strength of the U.S. dollar, which has increased over the last several years by 20 to 30 percent, raising in effect the price of commodities that we sell from this country. The third reason for our decline is the debt burden of some of our best customers, customers such as Mexico, others in Central and South America, and of course, the Eastern bloc countries.

Fourth is the increased use of export subsidies by the European Community and other countries which has enabled them to double their exports to outside countries. This has occurred predominantly in the last 5 years.

As an example, in 1976, the European Community exported $12 billion of agricultural commodities to non-EC members using about $2 billion in subsidies. However, in 1982, they exported to non-EC members about $48 billion of agricultural commodities and spent about $8 billion in direct export subsidies.

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[1] See p. 176 for the prepared statement of Mr. Gaston.

I think we all know that the European Community will admit that their farm exports must be subsidized to be sold outside of their Community. Recently, as an example, butter in the European Community was about 53 percent higher than the world market.

Wheat prices were about 38 percent higher than the world market. The fact that they have a protected agricultural economy is pointed out by Britain's Institute for Fiscal Studies which indicated that their levies added about $19 billion to the consumer food costs in 1982 within the Community.

We tend to feel that the European consumer, European Community consumer is paying the price of the export, paying the price of the import levies, and in effect, the U.S. farmer is paying for the export subsidies through the markets that we are losing to their exports.

The fifth reason was the embargo of the Soviet Union, the reason we are losing value and volume of exports. The U.S. share of the Soviet grain imports went from 70 percent in 1977 to about 17 or 18 percent in 1980.

That has recovered to about 30 percent in 1982, but still we have lost a substantial share of that market.

The sixth reason for our decline is the intrusion of the Brazilian soybean products into the world markets. Since 1974, the U.S. soybean industry has lost significant world market share in exports of soybean meal and oil. In fact, we have gone from 78 percent to about 39 percent in share of world markets of meal and from about 64 to 24 percent in share of the world market in soybean oil. Crushing margins have declined in the soybean industry from 72 cents to about 23 cents in that same period of time.

Capacity utilization of the soybean industry has also been affected going down from 83 to about 71 percent. Embargoes and subsidies of the 1980's and early—embargoes and subsidies of the 1970's and early 1980's have relegated the United States to a position of residual supplier to the world on most of our agricultural commodities.

You may ask, how did Brazil, as an example, gain market share dominance? They certainly did not do it by being the most efficient producers and processors of soybeans and producers and processors of poultry. They did it by a complex combination of tax incentives, subsidized financing, export rebates and credits and restitution to processors and income tax exemptions, and a whole laundry list of items that gave them market dominance in both soybean products and poultry.

And, of course, the question is: What must be done to regain these lost markets? You have covered some of these points this morning very well. The American agribusiness industry currently has 13 petitions before USTR. These cover challenges of European Community subsidy practice, tariff preferences, domestic subsidies, and a number of other items, not only against the European Community, but against other countries; 13 actions under section 301.

The administration and Congress have also taken steps in recent months to help improve agricultural exports. These include blended credit, contract sanctity, the Egyptian wheat sale, which certainly was a sign that we mean business, and a number of consultations with various trading partners over trade matters.

While we all applaud these efforts, we urge the Senate, the House, and the administration to undertake a number of other aggressive actions to regain lost markets and to raise net farm income. We feel that these efforts should include authorization of an export market enhancement program, a program, as we have recommended, and as a number of you have recommended, that would authorize the Secretary of Agriculture to use surplus CCC commodities as incentives to increase commercial export sales.

We feel this would go a long way toward getting the attention of the competitors in the world market.

We strongly endorse Senator Wilson's proposal which sets aside $20 million of the funds made available in the Omnibus Budget Reconciliation Act of 1982 for expanding raisins and canned fruit exports. In September 1981, a number of California agricultural groups filed a section 301, alleging that the EC's production subsidies adversely affected U.S. commercial interests and that they violated GATT.

Even though a number of consultations have been held concerning this complaint, the problem has not been resolved, and the National Council of Farmer Cooperatives firmly believes that the United States must take strong action to protect the foreign markets of our raisin and canned fruit industry. You will be hearing more this afternoon from an additional panel that will discuss this in more detail.

Mr. Chairman, we strongly endorse the provisions of your bill which mandates the export sale of 150,000 metric tons of dairy products in each of the next 3 fiscal years. I guess the question that comes to us is: Should the amount be increased? Is this enough to get the job done? We think it is a start in the right direction.

We also endorse Senator Mattingly's bill which would make surplus commodities available to the poultry industry as an export incentive. The U.S. poultry industry is competing with export subsidies from the European Community and Brazil, and that subsidy at times amounts to as much as $440 per ton or 20 cents per pound.

The use of these subsidies can be illustrated by bids that were received within the last 10 days. Bids were submitted for a sale to a Middle Eastern country; the U.S. bid was $1,355 per metric ton. Brazil was the low bidder at $912 per ton. A French supplier bid $1,017, and believe it or not, a Japanese company bid $1,259 to supply chicken from Turkey. I did not know Turkey exported chickens, but apparently they do.

To illustrate the subsidy support of the Brazilian bid, the Brazilians can deliver broilers with the subsidy programs that they have to the Middle East for about 20 cents a pound less than you can buy chicken here in the Washington area. This does not make sense to us.

The National Council supports revisions which would expand authority to donate CCC commodities to needy persons in foreign countries. We think this is a worthwhile effort, one that should be pursued, and we think to increase acceptance, USDA should be willing to pay part of the cost of transporting these goods to those needy countries.

We certainly support Senator Dixon's bill and all other efforts that would emphasize shipments of value added products. We often are asked the question: How much difference does processing make in value added exports? $1 million of raw soybeans increases to about $3 million in soy products. $1 million of wheat increases to about $8.8 million of wheat flour. And depending on the commodity, $1 billion worth of higher value products can generate 35,000 to 45,000 jobs in processing, transportation, and distribution.

We all know with the present unemployment rate above 10 percent, value added exports can become a permanent jobs program to lower unemployment. One of the major problems we will face in the next decade is also that of credit availability for many of our foreign customers. Therefore, we support Senator Dole's agricultural export revolving fund provision. This bill would generate about $1 billion for export financing. This would go a long way toward providing competitive credit needs to some of our foreign buyers.

So in closing, Mr. Chairman, let me say that we feel that as a Nation we should take the lead in bringing about some order in international trade. It is imperative that we take immediate and decisive action to stop the unfair competitive activities of these competitive exporting countries.

While we should not close the door on negotiations, there has been much talk and far too little action up to this time. I think the strategy of some of our competitive countries may well be that of talking about and studying about the problems until they have captured a larger share of our markets.

American farmers and agribusiness companies want action. We thank you for holding these hearings and bringing attention to these very urgent matters.

Thank you, Mr. Chairman.

The CHAIRMAN. Gentlemen, I want to commend both of you on two excellent statements. I have read them both, and I commend them to not only my colleagues here this morning, but to all the Senators. I hope they will study the product of what has to have been an enormous amount of time.

The thing that is encouraging to me about this whole problem is that finally everybody seems to be singing from the same hymnbook. And if we can just focus our attention on getting the best possible legislation, it will probably be a combination of a lot of ideas, which it ought to be.

But I do thank you for your contribution. And I thank you for coming.

Senator Huddleston, do you have any questions or comments?

Senator HUDDLESTON. I will reiterate our appreciation for your presentation, and would ask one thing. I have seen it suggested in some quarters that perhaps there might be some conflict in policy when we are talking about increasing exports at the same time we are talking about a program that is designed to decrease production in this country.

Does that present any problem with the potential buyers around the world who may be wondering whether or not we are going to have supplies available if we, in fact, are successful in developing the markets?

And does it add any encouragement to those countries that may have the ability to produce some of the same crops and cause them to increase their production? Do you see any problem there at all?

Mr. DELANO. Conceivably it could, sir. I think there has been some approach made to some of the world—there has been an approach made to the European Community and to Canada. Of course, Australia happens to be suffering from one of the worst droughts they have had in recent years. Conceivably they could be sending the wrong message, but still we have to look after our own interests domestically, and to take some responsible action as we are doing.

Senator HUDDLESTON. The thing we are considering, yes, sir?

Mr. GASTON. Senator, I would add to that: I think the set-asides and the acreage reduction programs are short-term solutions to get us out of a ditch. We got into the ditch for the six or eight things that I enumerated. However, I do not think we can continue to cut back on production or else we will allow other countries to increase their production to the point that we are a residual supplier.

Senator HUDDLESTON. I think, of course, those that are knowledgeable about our situation would understand that we can do both, at least for a period of time. We have surplus on top of surplus. We can still have adequate supply for all of our export needs, at least in the foreseeable future, and still have enough of a reduction to improve the market price.

That is our hope.

Mr. DELANO. Senator, I might add that hopefully, what we are doing relative to reducing production in those amounts of supplies that are coming on, we hope the European Community will do likewise.

Senator HUDDLESTON. Do you think that the export payment-in-kind program has any special benefit potential for our American producers, specifically using the commodity itself as an incentive, perhaps instead of, or even additional to some kind of cash incentive that might be made available to exporters?

Mr. DELANO. Yes, sir. I think it does have potential. And really when we first started talking about the concept, one of the earlier concepts was that if a country bought *x* number of metric tons of a given product, you know, we would provide an incentive for the purchaser's volume puchase.

Senator HUDDLESTON. A bonus.

Mr. DELANO. Yes, sir, a bonus; yes, sir.

Senator HUDDLESTON. Not an uncommon practice in the sale of many items of merchandise in this country.

Mr. DELANO. Yes, sir. Penny sales or bonus sales have been going on for years.

Senator HUDDLESTON. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Wilson?

Senator WILSON. Mr. Chairman, I would only echo your commendation. I think this is especially valuable testimony. Both statements very clearly document why it is that we have suffered this sharp decline in exports, and it is a very heartening thing to have this unanimity, as you described it, all singing from the same hymnbook. I think it would indicate that we may be able to move very early and have a comprehensive package and finally get the kind of attention that the chairman and others deserve, but apparently did not receive in Geneva, and I gather that Congressman Thomas had the same experience in Athens.

Thank you, gentlemen.

The CHAIRMAN. Thank you, Pete. I think I know the answer to this, but do you gentlemen agree that the more rapidly we move on this legislation, the more or the stronger impression it will have on the European Community and others?

Mr. GASTON. Yes, sir, I certainly do.

Mr. DELANO. Yes, sir, I would agree that time is of the essence. You know, if we wait around too long, we will dress it up like a Christmas tree, and certainly I think, the time is of the essence.

The CHAIRMAN. Now, I do not want to prolong this, but I think we ought to address some of the arguments we can expect to hear. Somebody has already mentioned—I think it was Secretary Schultz—that we did not want a trade war. But we have got a trade war.

The only problem is we have not loaded our guns. The second thing is the declaration that, oh, there will be retaliation. Now, you were good enough to mention the proposal about dairy products. Now, what is the likelihood in your view of "retaliation" by other nations if the United States takes even stronger actions? And what are the risks?

Mr. GASTON. Well, I think we have to be committed to go all the way. I do not think we should start out saying that we are only going to do it a certain degree and then back off. That is far worse than taking no action at all.

So I think if the Europeans know that we mean business, and they realize what these actions will cost them in terms of additional consumer and taxpayer outlays, they will be more interested in sitting down at the negotiating table.

Mr. Chairman, there are some risks in this approach, but I think if we are committed to seeing it out, the risks are minimized.

The CHAIRMAN. One of the Senators—I think it was Senator Grassley—mentioned that he would have some difficulty about various aspects, but everything is a risk. One thing we know for sure, American farmers are going down the chute if we do not stand up for them.

The thing to be borne in mind is that we will actually be doing a lot of these leaders of other countries a favor by taking this action because they have their constituencies. Prime Minister Nakasone of Japan was here not long ago, and it was very clear that he is not interested in alienating his constituency.

But these countries can be turned around, I believe, if the leaders of the countries are able to say, look, the United States proposes to do thus and so, and they are going to do it. Then they can go to their constituencies and say the obvious facts about the fiscal nonsense of spending all this money for subsidies, because their economies have deficits that are at least as grave, if not more so, than ours.

So this is not really in the long run a hostile action towards these countries. It is a means of bringing commonsense to the whole business of what we call free and fair trade.

Again, gentlemen, I thank you very much.

Mr. DELANO. Thank you, sir.

The CHAIRMAN. Our next panel consists of Lee Campbell who is president of the Poultry and Egg Institute; Albert Pope, president of the United Egg Producers of Decatur, Ga.; Maurice Pickler of Springdale Farms of New London, N.C.; and George B. Watts, president of the National Broiler Council.

If you gentlemen would come forward.

We appreciate your coming. And I know that you probably heard the time agreement that we imposed upon ourselves. So, if you have prepared statements, which some of you do, I want you to know that they will be made a part of the record, so please summarize and say whatever you wish and in whatever order you wish.

Mr. Campbell is listed first on the agenda here.

STATEMENT OF LEE CAMPBELL, PRESIDENT, POULTRY AND EGG INSTITUTE OF AMERICA

Mr. **Campbell**. I am Lee Campbell, speaking today for the Poultry and Egg Institute of America and the National Turkey Federation.[1] Our industry, it is no secret, has been experiencing financial difficulty. It was made abundantly clear in 1982 that one major factor in our industry's problem was the loss of export markets.

Thus, these hearings and the proposed legislation you are considering here today are of importance to our industry. We compliment the chairman and others in the Senate for taking to heart the export problems we face in seeking to improve what is a deplorable situation.

In the late 1950's export sales were virtually nonexistent of poultry and eggs. Through strong market development efforts in cooperation with USDA, we were able to build record exports of poultry and eggs through 1981.

This was done in spite of adverse elements that exist in the international marketing of poultry and eggs. Even so, we were unable, for example, to capture even a third of the tremendous world export market growth for broiler chickens and similar comparisons could be drawn for other commodities.

The export subsidies, as has been clearly pointed out here earlier, of our competitors in amounts that are staggering, prevented us from fighting competition and getting a share of the expanding market. In 1982 the strength of the dollar combined with large subsidies made by our competitors have played havoc with our industry's efforts to develop and maintain international markets. The exports of broilers fell 71 percent in 1982. Shell egg volume dropped 30 percent. Egg products were off 45. The value of our exports dropped from $769 to $414 million.

That is why we awaited with anticipation the multilateral trade negotiations. Unfortunately, we got little from those negotiations. We had hopes that the GATT Ministerial Conference late last year would be helpful in gaining relief from the unfair subsidies.

The results were totally unsatisfactory. The attitude of the EC expressed time and time again makes it clear that there is no indication of giving way on subsidies. The United States attempted to persuade the EC; that failing, action was and is necessary, we believe.

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[1] See p. 185 for the prepared statement of Mr. Campbell.

It should be made clear that our industry generally is philosophically opposed to the use of subsidies. But having come to the realization that we must fight fire with fire, so to speak, in an effort to secure fair trading rules, we have supported a variety of steps the U.S. Government could take to send a signal to the European Community and others that the United States does not intend to sit idly by as our markets are taken.

We have urged and support offering United States stored dairy stocks on the world market to the highest bidder; the use of subsidies on selected agricultural products with targeted markets; the buying down of interest rates for exports; the use of payment-in-kind programs for exports.

We are highly appreciative of the steps taken so far by the administration to show the EC that the United States is tired of competing with subsidized products. While the Europeans, as usual, cry out loudly against our using their own tactics, bilateral trade discussions last week in Brussels did not show any willingness on the part of the EC to reduce their subsidies and once again trade discussions have come to nought.

While all of the proposals being considered here today could, we believe, be of benefit to our industry, we are pleased that S. 251 specifically requires that at least $20 million of the funds made available under the Omnibus Budget Act in fiscal year 1983 be used for U.S. poultry and eggs. It may take more than that, Mr. Chairman, if we are to finally participate in the world market fairly.

Our industry needs exports, even though exports represent only a relatively small part of our total production. Jobs are at stake because we are producing added value processed products. We need to be able to compete with unfair government supported competition. First, we need assistance to enable us to compete now. Second, and even more important, we need every action possible by our Government to seek an end to subsidized competition and fair access to the markets abroad.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir.

STATEMENT OF GEORGE B. WATTS, PRESIDENT, NATIONAL BROILER COUNCIL

Mr. WATTS. Mr. Chairman, I am George Watts, president of the National Broiler Council. I will summarize my statement and submit the full statement for the record.[1]

With the critical export situation facing the American broiler industry today, our trade association welcomes this opportunity to share our industry views. Our members support the efforts of this committee to find a solution to the unfair competition we are experiencing from the heavily government subsidized broiler exports of the EC and Brazil.

We lost almost one-third of our chicken exports in 1982 compared to the year before. The loss of our whole chicken market was even greater, about 70 to 71 percent, as Lee Campbell has pointed out.

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[1] See p. 187 for the prepared statement of Mr. Watts.

Instead of exporting 6 percent of our total production last year as we had in 1981, we exported 4 percent, and the price impact of not exporting is very clear. In 1981, the year we filed our trade petition under section 301 of the Trade Act, it became more obvious than ever that the continually increasing levels of export subsidies being granted by the European Community and Brazilian broiler exporters were leading to a virtual halt of our broiler exports going to the Middle East.

Although the United States had, until 1981, enjoyed expanding broiler exports to this Middle Eastern market, we nonetheless sustained a dramatic slippage in market share during the last decade or more.

The Middle Eastern broiler market represents imports of 750,000 metric tons, and the U.S. share in 1982 was less than one-half of 1 percent, essentially zero.

Acting in response to our section 301 petition, our Government has sought a fair solution through the General Agreement on Tariffs and Trade. There have been interminable delays. The EC and Brazil have not taken our GATT challenge seriously, and because, I think, we lack leverage, as Secretary Block told a congressional hearing just last week. Recognizing this need for leverage, the National Broiler Council Board of Directors just last month voted to support the concept of using Government surplus commodity stocks as a tool to regain some of these lost broiler markets overseas.

The broiler producers have historically avoided turning to the Government for a solution to their problems, as you well know. However, we reluctantly have come to the conclusion that there is no other reasonable way to compete against the EC and Brazil at this particular time. We are hoping that this short-term measure will lead to a longer term solution.

Without decisive and meaningful action on our part and the part of the United States, we will sustain further losses in our broiler export markets. It has been pointed out the level of subsidies we are up against. I will not go into those further, only to say that the United States is certainly the most cost-efficient producer of high quality broilers in the world, but we cannot overcome and compete with the export subsidy levels that are being granted by foreign competitors.

The committee has under consideration a number of bills which address our agricultural export problems, and each bill contains features that we would view as most helpful in providing U.S. producers with an opportunity to compete in international markets.

As the committee decides which features to include in a trade legislative package, we would specifically urge that you report a bill that authorizes an export payment-in-kind program.

We believe that this, if implemented for broilers, would be a giant first step toward regaining some of our broiler export markets lost to unfairly subsidized foreign competitors.

Thank you.

The CHAIRMAN. Thank you very much.

Mr. Pope.

STATEMENT OF ALBERT E. POPE, PRESIDENT, UNITED EGG PRODUCERS, DECATUR, GA.

Mr. POPE. Mr. Chairman, members of the committee, I want to thank you for the opportunity to be here and mention simply how honored I am to have the opportunity to be here today.[1]

I am president of the United Egg Producers, which is a national federation of egg marketing cooperatives located across the country.

I am here to testify today in support of your efforts and the efforts of several other Senators and Congressmen on the most important issue facing agriculture today: trade. We commend this committee and its chairman, Senator Helms, for providing the initiative and the leadership necessary in developing our agriculture trade policy.

We are extremely concerned and distressed by the current state of the American agriculture economy. In terms of real income, farm income is at its lowest since the Great Depression.

In human terms, there are thousand and thousands of farm families who have worked hard to produce the food and fiber for this Nation over a long period of time, who suddenly see their entire life's work being wiped out. In 1982 it was certainly bad enough, but we see the prospects of more and more farm bankruptcies and foreclosures within the next few months, more than most of us have seen within a lifetime.

Agriculture relies significantly more on export than any other industry. One of every three acres of farmland is planted for export. Agricultural exports in 1981 were $43.8 billion, 19 percent of the total $233 billion in U.S. exports. When agriculture exports were balanced against imports, they were $26 billion on the positive side of the U.S. balance of trade.

In addition, for every billion dollars in agriculture exports, there is an increase of at least 26,000 jobs. We cannot afford to ignore the benefits that American agriculture has for the economy, especially right now. Egg producers, unfortunately, are one of the hardest hit commodity groups in agriculture today. The number of egg producing farms has dropped from 6,200 to 4,700 in the last 30 months.

In 1981, the gross national income from the sale of eggs was $3.66 billion, an increase of 11 percent over the $3.27 billion income in 1980; a significant contributing factor to the 1981 increase was the sale of U.S. produced eggs and egg products in overseas markets.

In 1981, nearly 3 million cases at 30 dozen per case of eggs were exported by U.S. egg producers, representing approximately 2 percent of the total production. But in 1982, gross income decreased 7.2 percent to $3.4 billion and exports have been cut in half to approximately 1.5 million cases. More recently, when exports could be expected to increase, they have virtually been eliminated.

Primary foreign markets for U.S. eggs have been captured by the European Economic Community through subsidies of up to 11.5 cents per dozen. U.S. egg producers were disappointed and frustrated with the results of the recent ministerial meetings with the General Agreement on Tariffs and Trade in Geneva.

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[1] See p. 191 for the prepared statement of Mr. Pope.

The EEC's response was just simply unacceptable. Protests have been registered from the U.S. agriculture community concerning the foreign subsidies resulting in prices substantially below those of U.S. producers in specific markets.

These subsidies are in direct violation of the international agreement for open and fair competition established by GATT. But to date, all these protests seem to have been in vain.

Principally, the EEC and Brazil are contributing to the devastation of the economy of U.S. egg industry through its use of price supports and subsidies to European egg producers. Exporters of eggs in the EEC and Brazil have achieved as a direct result of these subsidies more than an equitable share of the world trade in eggs.

In addition, such export subsidies have resulted in prices that cannot be matched in world markets, even though U.S. egg producers are the most efficient in the world. The recent announcement to loan Brazil $1.2 billion to assist their financial obligations was of concern to the U.S. agriculture community.

Brazil has subsidized their producers to compete with the U.S. in the world market. Recently, Brazil signed a contract with Iraq to deliver 60,000 tons of poultry at prices $400 per ton below the sales price of U.S. produced poultry.

Then, on top of that, they were given 400 days without interest to make their first payment. However, we understand that Brazil has recently agreed to cease these subsidies of agriculture exports. The Nation's farmers are going out of business, not only because of the loss of overseas markets, but as a result of failure of the national leadership in creating policy to utilize, to capitalize on the power of U.S. agriculture.

The administration and USDA must develop policy that will capitalize on this agripower, benefiting the agriculture producers and citizens equally. In relation, specifically, to foreign subsidies, the rhetoric by U.S. officials and those ministers attending the GATT is over. It is time to fight fire with fire and send a clear signal to the EEC that the artificial means of reducing the price of their products in the world markets is illegal and will be opposed.

As the song goes, "Enough is Enough." Today, this committee is discussing several bills which provide an export payment-in-kind program. It is evident that Congress is ready to send our competitors a very clear signal. But it is imperative that the program is implemented as soon as possible, as firm as possible, to relieve the domestic market of surplus product, product intended for export.

Currently, the Commodity Credit Corporation has the authority to dispose of surplus agriculture commodities to aid in the development of foreign markets for agriculture commodities. This authority is granted to the CCC in its charter act. I would like to emphasize that, that there is presently authority to handle some of these situations. And I would certainly encourage support to do just that.

Mr. Chairman, at this time, UEP would like to submit as evidence, so that they may be noted in the hearing record, the comments marked exhibits A and B that are attached to my written statement.[1]

These comments were submitted to USDA in response to the interim rules published in the Federal Register for the acreage diversion of the PIK program. The comments, exhibit A, submitted by the poultry and egg sector in general and exhibit B submitted by UEP in particular propose that the acreage diversion PIK program be amended to include an export provision.

It is important to note that there already exists ample authority to implement this export payment-in-kind program. Now, since Congress has shown its intent to provide for such a program, we believe that the Secretary of Agriculture should implement the export payment-in-kind program immediately.

We would request that each member of the committee write the Secretary of Agriculture in support of these comments.

In regard to the economic plight of U.S. agriculture in other areas, we propose the formation of a coalition of commodity groups to work hand in hand with Government in developing sound agriculture policy under the leadership of the Department of Agriculture. You know, just a few years ago when we looked at exporting eggs in the egg industry—and I have to tell you it was kind of a success story. We started about 5 years ago and we all got real enthused about it and we said, let's see if we can put one of these together.

So, some producers got together—members got together and they put together the first 50,000 case order. I will never forget. It was shipped out of Savannah, Ga., at that time.

Since that time—then after they got one under their belt, they said let's see if we can do another one. They did 100,000 cases. And then they did—2 years ago they did 1 million cases.

And then last year, or I should say, the year before last, 1981, 2 million cases. No subsidy, at fair market value. The product went out. In 1982 the rug was completely pulled out from under us. Exports of eggs completely stopped.

The latest chapter, unfortunately, in the great American success story is that we have had these last 2 weeks to reduce the staff and basically reduce the commitment and the ability of our industry to export eggs.

In closing, United Egg Producers wholeheartedly supports this legislation and thanks the members of this committee and its chairman for their efforts in solving a problem of simply tremendous magnitude.

I appreciate your wanting me to testify and will be happy to answer any questions you might have.

The CHAIRMAN. Thank you very much.

Senator Huddleston and Senator Wilson, it should not be held against Mr. Pickler that he and I come from the same neck of the woods.

How far is it from New London to Monroe, N.C.?

Mr. PICKLER. It is 47 miles.

The CHAIRMAN. 47 miles. That is a good section of the country.

Mr. PICKLER. We are close enough to know each other.

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[1] See pp. 193–198 for a reprint of exhibits A and B.

The CHAIRMAN. That is right.

Mr. PICKLER. Or know about each other.

The CHAIRMAN. That is right. My wife's family comes from Mr. Pickler's county, so we are almost cousins. We are delighted to have you here. You may proceed.

STATEMENT OF MAURICE J. PICKLER, SPRINGDALE FARMS, NEW LONDON, N.C.

Mr. PICKLER. Thank you, Mr. Chairman.[1]

My name is Maurice Pickler. I am an independent egg producer from New London, N.C., as you have indicated. My brother, Eugene, and I, operate Springdale Farms, which is a family run business. We represent the fifth generation of farmers running this Stanley County farm.

Today, I am here before you to convey how egg producers and other farmers have been seriously injured by the unfair trade practices of foreign competitors and how an export payment-in-kind program as proposed in S. 251 would help the egg industry regain its lost export markets in Third World countries.

The shell egg export market, as a percentage of total eggs produced in the United States, is small. The Department of Agriculture statistics reveal that for the first 9 months of 1981 only 68 million dozen eggs were exported out of a total of 4,300 million produced or a figure of 1.6 percent.

In 1982, exports were cut in half during the same period with only 34 million dozen eggs bought. If the egg production cost in export sales is backed up into our domestic market, as it has been, the price producers can obtain is obviously adversely affected.

The egg industry is operating without regulatory controls or price supports and it is dependent wholely upon free enterprise concepts. By this I mean that the egg industry has no Government price supports as do cotton, tobacco, rice, wheat, corn, or milk, and in addition, there are no egg marketing production orders. And until the Agricultural Marketing Order Act of 1937 is amended, eggs are specifically excluded from such orders.

When markets that were previously open to a product are suddenly closed, the product begins to back up and an oversupply is created. Oversupply in a free market where the forces of supply and demand determine the price can severely depress the price of the product.

The egg industry is suffering through this situation with the problems of the industry magnified because the product is perishable. For example, producers have recently received 36.5 cents a dozen for class 2 restaurant eggs compared to 64 cents during the same period last year. This represents a 44 percent decrease in the price which producers received for their product.

The Department of Agriculture has instituted a blended credit program in an effort to make U.S. agricultural commodities more competitive in foreign markets. But even with blended credit programs, certain commodities like shell eggs have not become competitive in foreign markets due to the subsidies imposed by foreign governments which artificially lower the price of foreign agricultural products. Currently shell eggs are being quoted from European Common Market at 17 cents per dozen less than we can quote eggs from the United States delivered to the same markets, in spite of our low price.

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[1] See p. 199 for the prepared statement of Mr. Pickler.

Even with the egg industry's disadvantage in freight cost, we can be very competitive as we have demonstrated with foreign counterparts because we have better supplies, higher quality, and less expensive production costs.

But, as you can see, foreign subsidies distort the export picture for U.S. commodities and eliminates us effectively from markets in which we were traditionally heavy suppliers.

The Department of Agriculture has developed a payment-in-kind program for acreage diversion. Today, the payment-in-kind program—today the committee has before it several bills which provide for an export payment in kind. The United Egg Producers submitted comments on the interim rule established in the Federal Register on January 12, 1983, which proposed that the Department of Agriculture's payment-in-kind program be amended to include an export provision. Under such a provision, an eligible party could qualify for feed grain donations if that party could document that they had entered into a contract with a foreign buyer for the sale of poultry, eggs, and their byproducts.

It currently takes 3.5 pounds of feed to produce one dozen eggs. Layer diets consist of approximately 62 percent corn and 22 percent soybean meal. Thus, 2.5 pounds of corn and 1 pound of soybean meal are needed to produce a dozen eggs. This works out to be a bushel and a half of corn and a half bushel of soybean equivalent to produce 30 dozen eggs.

If egg producers were able to receive from a payment-in-kind program just the corn equivalent to produce one case of eggs for export, it would be equivalent to $3.50 a case at current corn prices, or 11.5 cents a dozen. This happens to be the same amount that the EEC is currently subsidizing their commercial egg industry.

This, in turn, would allow U.S. egg producers to export more eggs, which in turn would get rid of the current backlog, gain our lost markets, and hopefully convey to our foreign competitors that we will not stand by while they undercut us on price and steal our share of Third World country export markets.

I urge you to take the lead and convey to the Department of Agriculture by passage of these bills, that it should take the appropriate actions to restore the U.S. agricultural community to its proper place as the leader in world food production and export.

Thank you very much.

The CHAIRMAN. I thank you, Maurice.

I think we ought to have a comment or two to place this in perspective because we need not assume that there is going to be unanimous approval of this. As you men have indicated, subsidies really are not our cup of tea. I certainly wish that it were not necessary, but wishing will not make it so. Now, we are going to hear about the cost of these subsidies. I ask this question of any or all of you: As I understand, in 1981, the export of poultry products was what, 400,000 metric tons? Is that correct? In that neighborhood?

Do you have any estimate of what it would cost in terms of subsidies to regain the position of 400,000 tons of exports?

Mr. POPE. We did one estimate on eggs. It was approximately $15 million. I think on broilers, if I remember right, it was about $40 million. I am just doing this——

The CHAIRMAN. Total of $55 million.

Mr. POPE. Yes.

The CHAIRMAN. Now, what would that do in terms of income to American producers?

Mr. POPE. I was trying to remember that estimate.

Mr. CAMPBELL. Well, USDA did a study that showed that for 200 million pounds of whole chicken exported, it represented 2 cents a pound to the producer here.

The CHAIRMAN. There is no way to estimate the jobs?

Mr. CAMPBELL. No.

The CHAIRMAN. Well, not only do I think, under the circumstances, that it is a good investment, I think it is an imperative investment. As each of you has indicated, we simply must get into this ballgame, and we must do it quickly.

Senator Huddleston?

Senator HUDDLESTON. I have no questions. I would just say, as we go along through this process that we should stay in close touch because I am sure there will be constructive suggestions for changes. And, we want to know how they affect different sections, the industry, and the economy.

The CHAIRMAN. I certainly agree, and I do not really believe we have to invite this because of their interest. But do not assume that we know everything or, that we understand the implications of everything that may be proposed.

When you have a thought or suggestion or a criticism, let us hear from you, and I mean that most sincerely.

Senator Wilson?

Senator WILSON. I have no questions, Mr. Chairman. I note with more than passing interest that the problems of the egg and poultry industry are very similar to those experienced by my farmers who are trying to export raisins and canned fruit. I think the testimony we received this morning has been extremely helpful.

Mr. POPE. I might mention that California, of course, is the largest egg producing State in the United States. The economic pressure that egg producers are coming under in California right now and over the past 6 months has been even more severe than the other parts of the United States.

Senator WILSON. I recognize that, Mr. Pope, but you are doing such a good job on our behalf, I thought I would husband my points on behalf of those who are not so well represented. [Laughter.]

The CHAIRMAN. Well, while we are in this discussion of superlatives, Rudy Boschwitz and I had a running battle for 2 or 3 years about which State was the largest turkey producer; I am not talking about political turkeys. [Laughter.]

The eating kind.

Senator WILSON. There is no monopoly there.

The CHAIRMAN. Who produces the most turkeys now?

Mr. CAMPBELL. I think Minnesota still does.

The CHAIRMAN. I am sorry to hear that.

Mr. CAMPBELL. North Carolina is growing fast.

The CHAIRMAN. Very well. Thank you very much, gentlemen. You have made a fine contribution.

The committee will stand in recess until this afternoon at 2 o'clock.

[Whereupon, at 12:15 p.m., the committee recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order. This convenes the second session of the hearings on agricultural export equity legislation.

This morning we had a most useful and interesting commentary on the problems that we simply just address. I noted this morning, it is certainly encouraging that we are all apparently singing from the same hymn book.

Congressional witnesses related their perception of the problem known to them from firsthand experience at the ministerial level trade meetings. Also, we heard witnesses from two of the leading farmer organizations that have been in the forefront of the trade issues for a number of years. Then we had some very interesting testimony from a knowledgeable and I might add articulate panel of witnesses from the poultry and egg industry. That is an industry that has been very hard hit by the export subsidies employed by other nations.

This afternoon, we have three more excellent panels. First, we have representatives of specific commodity organizations who I am sure will offer a very fine perspective of their producers; and then we will have a food distribution panel, which will explain how some of the surplus commodities might best be put to effective use in assisting the needy overseas; and the concluding panel will be from California to discuss the particular difficulties that the raisin and canned fruit industries have had with the predatory subsidies of some of the EEC nations.

The Chair would note that we have a pretty tight schedule, and he will respectfully suggest that the distinguished guests allow us to include the full text of their prepared statements and ask them to summarize those statements in whatever detail they wish.

Senator Cochran is unable to attend the hearing this afternoon, and he has asked the Chair to include his statement in the record, without objection, that will be done.[1]

Senator Boschwitz is unavoidably detained. Other Senators are on their way. But I think we should proceed, and we would like to have the commodity panel come forth.

Don Loeslie, who is president of the National Association of Wheat Growers, Warren, Minn.; Ron Stoddard, who is president of the Nebraska Wheat Growers Association; Frank Johannsen, Nebraska Wheat Growers Association; Frank M. Mitchener, past chairman of the board of the National Cotton Council of America, Sumner, Miss.; Varel Bailey, vice president for legislative affairs of the National Corn Growers Association.

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[1] See p. 150 for the prepared statement of Senator Cochran.

We want to say with all sincerity that we appreciate your sharing your time and your wisdom with us. If I neglect saying it when you finish, don't let this be the last contact that we have as we move along with this legislation. You watch it, monitor it, and let us have the benefit of any suggestions or criticisms or whatever; because whatever we are going to do we have to do fast and let's do it right.

All right, Mr. Loeslie, if you would proceed.

STATEMENT OF DON LOESLIE, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, WARREN, MINN.

Mr. LOESLIE. Thank you very much, Mr. Chairman.

My name is Don Loeslie and I am a wheat producer from Warren, Minn. and Carl Schwensen from the executive staff is with me today.[1]

Mr. Chairman, over the past decade we have had a steady growth in U.S. wheat exports and we have come to expect increasing demand for U.S. wheat from underdeveloped nations and throughout the trade in the world. However, embargoes and trade sanctions and increased output in other producing countries, coupled with competitive and even predatory pricing practices and in the context of our worldwide recession has caused U.S. exports to stagnate, and exports are projected to decline this year, with even little hope for next year.

Our slack in export performance and increased wheat production have caused our stock buildup. Wheat carryover stocks will reach record levels at the end of this season, and that's why we are pleased to give testimony here at the export PIK program that you are addressing; because operated with our domestic acreage adjustment programs it will help those stock reduction efforts and could significantly add to the U.S. trade expansion effort; and so we do support this committee's efforts to implement such a program.

It is apparent that the Commodity Credit Corporation will utilize all of their uncommitted wheat stocks in the domestic PIK program and that with the Egyptian flour sales, we suggest that the Congress would perhaps authorize the Secretary of Agriculture to borrow from the food security resource to use in the export PIK program. This reserve contains 147 million bushels of wheat, which was set aside following the 1980 Soviet grain embargo and could be used by the United States to meet future Public Law 480 and emergency relief requirements. Recognizing that we have more than enough wheat supplies to adequately cover these needs, we believe that the wheat could be used for this purpose and replenished at a later date, as provided by the existing law. The current cost of storing those grains is around $50 million per year.

We would also encourage the inclusion of that food security reserve wheat under section 6 of Senate bill 251, which expands the authority for the use of CCC stocks for Public Law 480 shipment. We have been somewhat discouraged by faltering support and funding for this essential market development and humanitarian food assistance program, and by using this food security reserve stock, this program could be used successfully in conjunction with the export PIK.

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[1] See p. 201 for the prepared statement of Mr. Loeslie.

A special inclusion in expanding legislation for any legislation would be our cargo preference requirements in shipping of export PIK commodities. The costs that are associated with cargo preference would neutralize any price advantage created through the use of the CCC stock in export sales. To illustrate this point, the GAO has estimated that in 1981 the cost of applying cargo preference requirements for Public Law 480 shipments total $15.6 million. Therefore, reducing the quantity of food which could be made available to the recipient countries.

The National Association of Wheat Growers remains absolutely committed to the export development goals of the FAS cooperative program as well as any increased utilization of competitive financing, and at the same time however we must be realistic in assessing the probable short-term growth in the ability of our customers to increase their imports even with strong market development efforts. Sluggish worldwide economic conditions and the relative value of the dollar are two significant demand dampeners and will continue to be strong negative points.

Senate bill 100 recognizes the price disadvantage of the U.S. agricultural exports caused by the relationship of the strength of the dollar to other currencies. Most international economists agree that this relationship is going to remain virtually unchanged in the short-term future. We have some rather dramatic numbers in that wheat, since the dollar is higher than years past, is now costing substantially more money today even though the price is lower in our country, and with our country using the floating system on the dollar, other countries have artificially subsidized some of their currencies at lower levels, making them more attractive in the selling of their products.

We also encourage USDA to use all of their export credit funds or blended credit program and we are encouraged when the President said that he would use $250 million in addition to the very successful blended credit program that was used earlier; and we would encourage that the remaining $250 million that was appropriated would also be used in this venture.

To build these markets over the long term, we also believe very strongly in long-term agreements, particularly with the Soviet Union. It is interesting to note that if we are going to look at the supplies, and looking at our share of the market, that over the last 4 years, we would be looking at a decrease of about 536 million bushels, which would bring us down to around a billion-bushel carryover. If we were to keep with the percentage that we enjoyed before the embargo, we would have taken out 1.4 billion bushels, which would completely eliminate the need for PIK set-aside, paid diversions, and et cetera.

And with that, Senator, we do support your bill and we also would like to give our compliments to USDA for the Egyptian flour sale. That was done very well. I had a friend tell me that they had the feeling that they got hit over the head with a baseball bat; and we certainly got their attention. I think that was the intent of the program.

Thank you very much.

The CHAIRMAN. It is one of the most popular actions that has been taken in this city in a good while, judging from the comments I've heard.

Thank you very much, Mr. Loeslie. I am going to be back to you with a question.

Mr. Stoddard.

Mr. STODDARD. OK.

Mr. Chairman, Frank Johannsen is going to give our joint testimony.

The CHAIRMAN. Pardon?

Mr. STODDARD. Mr. Johannsen will give our joint testimony.

The CHAIRMAN. Yes. All right. Thank you.

STATEMENT OF FRANK JOHANNSEN, NEBRASKA WHEAT STRIKE FORCE, ACCOMPANIED BY RON STODDARD, PRESIDENT, NEBRASKA WHEAT GROWERS ASSOCIATION

Mr. JOHANNSEN. Thank you, Mr. Chairman, and members of the committee.

The Nebraska Wheat Strike Force and the Nebraska Wheat Growers Association appreciates the opportunity to present our views on the trade issues. We are a constructive, results oriented, task force in Nebraska.

I am Frank Johannsen, coordinator of the Nebraska Strike Force and Action Group. Accompanying me today is Ron Stoddard, who is president of the Nebraska Wheat Growers Association.

Mr. Chairman, we appreciate this opportunity here to be with you. Our purpose, though, for being here today is to work with your committee in an effort to strengthen the U.S. position in international agricultural trade, raise farm income and revitalize the U.S. economy. It is our belief that those goals can be achieved if the U.S. Government and farmers will use the tools and expertise available to us in an aggressive and businesslike manner in the international trade arena.

Action being considered by your committee is an essential and constructive step in further addressing agricultural trade issues. The Nebraska Wheat Growers Association supports the following actions:

One, Public Law 480, the level of Public Law 480, title I funding we think should be increased by $500 million; two, blended credits, the earlier $500 million blended credits that has been committed was very useful in leading to additional export sales of wheat, and there are extensive opportunities for additional wheat exports that can be developed using blended credit.

We strongly urge that early consideration be given to providing additional blended credit to Brazil where the European Economic Community is making a more aggressive export effort than in past years. Re: extended agreements. The United States should take a close look at providing concessional credit for additionality purchases for some countries over an extended number of years. An example would be if China or some other country agreed to increase the wheat purchases above the recent trend line of their imports from the United States, we should offer attractive credit terms for additional incremental purchases. Such an agreement could be extended over several years and reviewed annually to make certain that both sides were satisfied with the agreement.

In the case of China, the United States should target for additional sales of 500,000 tons the first year; 1 million tons the second; 1½ million tons the third year, and onward. This type of agreement should be extended several years so the purchasers do not drop out after the first 1 or 2 years.

An export payment in kind, the PIK program for exports is a compliment to the domestic PIK program. An export PIK program should be implemented and utilized. In general terms, such a program would be very useful and it would also offer an additional resource that could be used as an incentive to increase storage facilities and wheat stocks in Korea and the Philippines; it could also offer an opportunity to encourage Thailand to reduce its duty on wheat imports; along with the blended credit program, the export PIK could serve the role of market maintenance in countries such as Korea, Brazil, Iraq and some African countries. Bartering, although a difficult process—bartering should not be overlooked. We should keep that in mind.

With regard to the People's Republic of China, it is imperative that all sectors of government pull together to find a solution to the textile trade issue with China. While the issue may be somewhat sensitive domestically, there can be no justification for jeopardizing or losing a $1.8 billion wheat market because of a $34 million difference of opinion on textile imports.

U.S. trade representatives should consider this trade issue of the utmost importance and get it resolved very quickly. New long-term grain agreements with the U.S.S.R.—it is essential that a new long-term grain agreement be negotiated with the U.S.S.R. The new LTA should contain higher minimums and maximum purchase levels. President Reagan's current sanction of postponing grain agreements, talks based on Soviet actions in Poland unfairly limits U.S. wheat and other ag exports and opens windows of opportunity to our competitor exporting nations.

It does appear that overwhelming evidence exists that verifies the fact that the U.S. economy is the biggest loser from U.S.-imposed trade restrictions.

We are also concerned with cargo preferences, as Mr. Loeslie, with the National Association of Wheat Growers, said. Last year, the USDA estimated that compliance with cargo preference requirements cost the Commodity Credit Corporation $363 million over the previous 5 years, dollars that could have been utilized in increasing exports.

Our foreign policy versus the trade policy. The United States seems to be its own worst enemy when it comes to holding on to some of our largest export markets. Through the combined efforts of grower-financed groups and the Foreign Agriculture Service of the USDA, we have made tremendous strides in expanding U.S. wheat exports in the past 30 years. U.S. wheat growers have risen to the occasion of expanding production only to find that U.S. Presidents have the power to negate the years of work and investment with the stroke of a pen.

The evidence is clearly against using ag exports as a negative foreign policy tool to impose U.S. policy around the world. Clearly recent examples of U.S. Government imposed trade restrictions, such as embargoes, only serve to lose business and income for the total U.S. economy, while causing the embargoed nations to seek other suppliers and, in turn, increase foreign competition for the long term.

It has been a pleasure to present our views here today and we hope that this committee will give positive considerations to our recommendations. Mr. Stoddard and I will be pleased to answer any of your questions.

The CHAIRMAN. Mr. Johannsen, thank you, a very fine statement.

You gentlemen may have noticed that I have just sworn in two new members of the U.S. Senate, in the person of the two young ladies who have joined us at the table. Various groups of young people come here every spring, and these two visitors needed a seat.

You are with Presidential Classroom? Is that it?

It's a very fine organization. They come here and they get to observe the various functions of Government.

I don't know where you are from, young lady. Where are you from?

Ms. MARIE FRIEDERICKS. Montana.

The CHAIRMAN. Montana.

Ms. JILL WHEELER. California.

The CHAIRMAN. California.

Well, I am sure the Montana Senator and the California Senator will regret that they are not here. They will be here presently. [Laughter.]

The CHAIRMAN. Frank M. Mitchener, past chairman of the board, National Cotton Council.

STATEMENT OF FRANK M. MITCHENER, JR., RETIRING CHAIRMAN, NATIONAL COTTON COUNCIL OF AMERICA

Mr. MITCHENER. Thank you, sir.

I am Frank Mitchener and I am a cotton producer from Sumner, Miss., and I am retiring board chairman of the National Cotton Council, on whose behalf I appear.[1]

The council is the central organization of the U.S. cotton industry representing producers, ginners, warehousemen, seed crushers, merchants, cooperatives and textile manufacturers from the Carolinas to California. We commend you and your committee, Mr. Chairman, for continuing to look at how the markets for agricultural products can be increased.

The council believes that both supply and demand need attention in order to get them back into better balance and to improve farm prices and income.

The PIK diversion program promises to work on the supply side. And we are delighted to have this opportunity to give you our thoughts on how demand can be improved.

Our industry's leaders have been considering the subject of this hearing since late October. An economic task force composed of council officers and board members met on three occasions, beginning October 29, to seek ways to alleviate the financial distress of the cotton industry. I served on that task force.

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[1] See p. 208 for the prepared statement of Mr. Mitchener.

One of the first proposals put before our group was the use of Government-owned PIK cotton as an incentive for market expansion. As the task force studied the proposal, we came to two conclusions: The first, which was based on council policy of almost two decades, and which was reaffirmed last week at our annual meeting, was most emphatic: Any market incentive used must be made available equally to domestic and foreign customers. Experience of the late 1950's and early 1960's when cotton exports were subsidized taught us that we couldn't tolerate a situation where we sold to one group of customers at a lower price than to another group. Our domestic customers were put at a serious competitive disadvantage and textile imports began to flood back into this country and take markets away from them. So, we moved back to a one-price system in 1964, have maintained it ever since, and must continue to maintain it.

The second conclusion was that PIK cotton should not replace current crop cotton in the market. It should move into the market only when its use results in market expansion. The theory is good, but the more we looked at the practical problems involved with determining whether a sale with the use of PIK does indeed result in additional markets, the less certain we became that such a program could be administered equitably and still have the desired result.

The only solution seemed to be that PIK should be used to open up new markets. Likely prospects are poorer countries with limited foreign exchange capabilities such as those on the USDA eligibility list for Public Law 480. By the way, there are 78 countries on this list at the present time and we only export textiles to 10.

These countries buy almost no raw cotton from us and many do not have mills in which to process it. Most would require financial assistance such as Public Law 480 or other export credit to buy from us. These countries also represent big potential growth markets since the first thing that the populace of an underdeveloped country will do is buy textile products. These are immature markets, while markets such as Western Europe, Japan, Canada, and the United States are mature markets. The prospects for improving consumption of cotton-textile products in these countries is not nearly so much as it would be in these poorer countries.

Therefore, the logical way to service these markets and still meet our criterion for fairness to the U.S. textile industry is the so-called value-added export concept used in the recent deal with Egypt for United States wheat flour. Our Government, through USDA, arranged the financing and the terms of the sale, and U.S. millers then bid on how many bushels of PIK wheat per ton of flour they would require to make the sale on these terms.

This sort of arrangement has the advantage not only of opening up new markets, but also of putting additional people to work in this country processing the products that we sell in these markets. Our numbers show that every half a million bale increase of cotton consumption in the United States means an additional 100,000 jobs, 38,000 of which are directly involved in textile manufacturing. In fact, an additional 500,000 bales of cotton is more than produced in both Carolinas and Georgia.

Mr. Chairman, we believe that the approach we have just described for wheat and flour would work as well for cotton in terms of 100 percent cotton textiles, and we commend it to you for legislative implementation.

Thank you, sir.

The CHAIRMAN. Mr. Mitchener, let me say parenthetically that as you spoke, I realized that you and I had at least a nodding acquaintance. You were speaking and I was nodding in agreement. [Laughter.]

North Carolina has the largest number of textile jobs in this country, almost one out of every six in the Nation. Now, I am not sure how many people would be affected by your proposal, but it would certainly, as you have indicated, have a positive effect in terms of employment and otherwise. I am going to try to assure you right now that we will do everything we can to include this sort of proposal in whatever bill is reported out.

Mr. MITCHENER. Thank you, sir.

The CHAIRMAN. Thank you very much.

By the way, do you ever see Jim Eastland?

Mr. MITCHENER. Not in the last 6 months, but within the past year. He's doing fine.

The CHAIRMAN. Well, when you see him, please give him my regards.

Mr. MITCHENER. I surely will.

The CHAIRMAN. Thank you very much.

Mr. Bailey?

Mr. BAILEY. Thank you.

The CHAIRMAN. Welcome, sir.

STATEMENT OF VAREL BAILEY, VICE PRESIDENT, LEGISLATIVE AFFAIRS, NATIONAL CORN GROWERS ASSOCIATION, ACCOMPANIED BY MICHAEL HALL, WASHINGTON REPRESENTATIVE

Mr. BAILEY. Mr. Chairman, accompanying me is Michael Hall, Washington representative for the Corn Growers Association.

Allow me, rather than to go through the testimony, just to hit some of the high points.[1]

I would like to start out by saying that the corn industry has come from about a 14 percent of usage carryover 3 years ago to over a 50 percent usage carryover today. This dramatically points out to all of us in the corn industry that we have got to do everything possible to find new markets.

In part of the testimony that I would present today are excerpts from our policy statement that support all efforts for market development. But what we really need is a consistent agricultural export policy from this country.

Turning now to a little bit more about the export PIK, we can't dodge the problems that we have with the EEC and Japan. I won't go through everything. I think most of the other previous panel members have pretty well lined out the problems we have had with

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[1] See p. 210 for the prepared statement of Mr. Bailey.

GATT; things that have happened after the Tokyo round. There are questions whether we really should have agreed to everything that happened in the Tokyo round.

Jack Parsons, our president, came back from Geneva and said: "It appears to me that most of the countries of the world are just simply waiting for the EEC, Japan, the United States, to get into a trade war, because that's a price break for them." So, here again, I think we have got to be very careful; we have got to think very carefully about our actions as we approach export subsidies. It's kind of like a freight train: It's easy to jump on when it's picking up speed, but how do you get off once the thing gets rolling. I'll speak to that a little bit later.

I think when it comes down to the bottom line with GATT, the problem is not GATT itself, but rather the lack of enforcement and lack of resolution. After all, GATT is pretty much just a court. So, I think we have got to remember that as we address the problem.

The Japan issue is again a problem with GATT, but it is basically one of nontariff barriers. I think the panel member this morning pretty well outlined the situation with Japan. We are going to have to really get leverage on Japan in order to jar their policies loose. I skipped over one point that I think I must make on the EEC: With the inclusion of Portugal and Spain into the EEC, we have got even added impetus to resolve this problem. If the same support prices are extended to Portugal and Spain—those are our customers, good customers, especially in the corn industry—there is no questions that production incentives in the livestock industry and in coarse grain will happen. We will lose those markets.

So, as the EEC expands, our problem over there becomes greater and greater. For example, EEC exports have increased nearly fivefold since 1970: From a net importer of sugar in 1978 to the world's largest exporter in sugar now. You may ask, why is the corn grower interested in that? We have a budding fructose industry, and project a healthy sweetener business around the world made from corn and this increased EEC sugar exports right away jumps into what we think is a reasonable market potential for our products.

By the way, I don't think I have to tell you that the EEC's actions in the world sugar market has increased our problems in the Caribbean Basin. These countries basically now are welfare states, welfare wards of the United States because of the world sugar price

I think you are much more familiar with the poultry wars that we have had with EEC than I am. I will just mention that the poultry wars go on and we are increasingly at a disadvantage around the world, as our broiler and poultry people try to work in this arena.

The dairy exports issue, the EEC now accounts for 60 percent of the world trade, and I am sure that it's part of our problem too, because we have a large dairy excess in this country.

I think I would like to make one point, though, and that is that the EEC does have themselves painted into kind of a box that will capitalize on their structure if you work down through their soft wheat, import levies and intervention price and so forth. They don't produce much corn over there. So, I have to equate their soft wheat with our coarse grains in many instances. But they have about a $2 a bushel export subsidy on wheat moved into the world market. That happens to be about the differential in between our loan price and their intervention price, or their support price there.

As a capitalist, I can see that with a nickel or a dime a bushel we can actually cost them $2 and a nickel or $2 and a dime a bushel. So, we really do have a lever as we move into the export market to tie up large sums of the EEC budget here. I think that we must remember that as we approach the export subsidy and the work in, as we try to get back into some of these markets.

The comment was made about the Egyptian flour sale. I would just like to make a point that I think you will agree: That was round 1, you know, the first shot was fired there. On the other hand, though, we are already hearing comments from some of our good customers like Korea, Taiwan, and so forth, saying, now, wait a minute; now, wait a minute. We're a good customer, you know? Why do you give somebody else a credit break and penalize your good customers? I think we have got some problems to work out. I am not saying that that flour subsidy plan was bad—I am just saying that all the wrinkles are not ironed out on that sheet; and that we have got to go to work and solve some of those problems.

There are a number of bills that have been offered and of those, S. 18, S. 100, the things like the export revolving fund is very important; increased funding for market development is very important. These are your tools you have to have to get back into the world market.

A number of things that require a reading from the administration is what is being done on the LTA's with Russia. I already mentioned S. 100. Senator Boschwitz' Agricultural Free Trade and Fair Trade Act contains some very good mechanisms for giving the individual commodities increased tools to go to work with around the world.

One area that I don't think has been mentioned up to date is an area called export finance and insurance. I think that maybe legislation of this type might need to be considered. Around the world, this is not a foreign concept; I mean, they do have, and entities do sell, insurance, guaranteeing delivery. I think even during the Falkland Islands war that Argentina carried insurance on some of their corned beef and it is kind of strange, but I think some of those soldiers on the Argentine side, because of the guarantees of that delivery, might have received shipments from Britain. That's kind of an extreme example. But the point is here that we probably need to take a hard look at legislation from this country allowing and possibly encouraging that type of activity whereby companies can carry insurance that their products will be delivered if they enter into a contract with a foreign country.

I do have examples of that type of insurance and I will leave them with you for your review.

I would just like to summarize by saying that we in the National Corn Growers Association support the export PIK program, and export subsidies up to a point. We must have the assurance that we know when we are going to get off of this freight train; that we know where we are headed. What is our game plan? Is our goal to radically change GATT? Is our goal to hammer out a consistent export policy here? Is our goal to effect a reorganization of the world banking institution so that we won't have these runups of one currency against the other and make it impossible for foreign trade? Just what is our goal? I submit that in the 1800's Britain ruled the commerce of the world, not with its armies but with its banks. The problems we have of the run of the Yen and the run of the Deutschmark against the dollar can erase the market development work we do, years and years of that work.

So, I guess I'm saying, yes, we must enter in export subsidies; we have got to load the gun. But it is not the total answer.

No one wins in a trade war because that's a battle of the Treasuries, and we have got to work out our plan to get off.

I'd like to say that possibilities—and I've covered a number of them—that may go into that game plan is the possibility of a Department of Foreign Trade. I think you are familiar when I mention that the Japanese have a Ministry of International Trade. I have a little trouble when I come into this town. I have to stop about five or six places to find out what our policy is on agricultural export trade. Maybe it's time that the State Department, Commerce, Agriculture, and STR is finally focused and that this country gets its act together in a foreign trade policy.

I guess I would just wrap it up by saying that in the situation we are in, export subsidies are a necessity, but let's remember what the goal is.

Thank you and I defer to any questions.

The CHAIRMAN. Thank you, Mr. Bailey.

Ed, I was sitting here thinking. These gentlemen and the ones who testified this morning remind me of that everlasting truth that all wisdom does not reside in Washington, D.C.

I appreciate all of you coming. Really, you make a good point about rewarding our traditional customers. Being a strong supporter of Taiwan, as I am, I particularly agree with you, but I point out that in my bill, which is one of several being considered, the export PIK must have traditional customers as a priority.

Now, how can we encourage additional good customers, in your judgment?

Mr. BAILEY. OK.

I come right down to bottom line real quick on this and have to say, are we going to continually evade or attempt to skirt around GATT and not call these things export subsidies. OK. Now, I mean, the blended credit and so forth, those issues are in some ways an attempt to get around the direct admission that we are in the export subsidy business. Now, if we're going to continually work with alternate avenues rather than direct export subsidies, then I guess we have got to be just as innovative with our regular customers as we are with those new markets that we are entering into. In other words, I think from a real hard-nosed commercial sense, it is going to be pretty doggoned hard to tell the Koreans that you can't have credit at the rate we gave the Egyptians. I mean that's just hard-nosed capitalism.

The CHAIRMAN. Yes.

Mr. BAILEY. Now, if you are going to finally admit that we are in this export subsidy business, then, of course, you have got the decision: Are you going to get in the export subsidy business and go cutthroat, selective, sweetheart deals? Are you going to go across the board? And I guess that circles us right back to our game plan again. And it's going to sound kind of strange coming from a corn farmer. But I really doubt that the U.S. Treasury can afford or the stocks of CCC can afford an extended export subsidy with corn. It's too voluminous of a product. We probably better start and target our plan, work out our goal where we are headed and take the bucks that we can get from the Treasury and tie down those selected products that will get us toward our goal. I don't know right now, sitting here as a corn farmer, whether they are raisins or peanuts or what they are.

But I think that you come back and say, OK, I've got *x* amount of dollars and I want to get to this goal and I may not have to have export subsidies on wheat; I may not be able to afford them on cotton. But I will pick out, maybe, that one little class of wheat or that one little class of cotton. Well, I don't know, there are grades of cotton in selected areas. We might even find a place that we can nail down some coarse grains. And achieve that goal of tying up those billions of dollars and getting the EEC to cry uncle and to meet us at the table, and to talk reasonable and review the GATT terms, renew and to establish new, a new framework for our financial institutions so that free trade can exist.

See, we don't have any trouble in between California and Iowa shipping lettuce.

The CHAIRMAN. Right.

Mr. BAILEY. But there's a Federal regulation that says that the Iowa banks can't run up the currency of the California banks. That's a big part of our problem.

The CHAIRMAN. Ed, do you have any questions, comments?

Senator ZORINSKY. First, how do you put this microphone together? [Laughter.]

Thank you, Mr. Chairman.

Mr. Bailey, I agree with what you are saying. As a former businessman, I found that if you made a special offer to one account and the others that you had been selling to for years found out about it, your name not only became mud, but they indicated to you the amount of volume that they had purchased from you and equating it to what you had given to another customer and said, this is what you owe us, or you're going to lose us for a customer.

But I found this out, though: When I on top of the table, evenhandedly made a special offer for a 6-month period or 30-day period to clear my inventory out to all my customers, I had a long line of customers there until my inventory was depleted. I think that's the problem we have currently or we wouldn't be in the PIK program right now, as we have got a greater supply than we have a demand.

Beyond that, it was a good introductory offer to all the customers. Once they came and found out we were pleasant to deal with, some of them even continued to deal with us that didn't deal with us previously.

So from your point of view of indicating there are some old-line customers that have been buying from us and what do we say to them with regard to the inequities that we may create. Would you have any objection if, inasmuch as the State Department has seen fit to intervene in the world marketplace in agriculture, for agriculture to intervene into the State Department by establishing a percentage of our foreign aid to other countries be mandatorily given in agricultural surplus products in lieu of cash or currency. This would mean that you would create sellers for our surplus product that the rest of the world market could convert to the cash currency and become sellers for us in that area. For instance, 10 percent in lieu of what we give in dollars under our foreign aid program. The nations receiving our foreign aid could recover the same amount of dollars, but they would either have to resell the commodity that we give them in lieu of the currency or convert it domestically within their own country to currency and utilize that.

Mr. **Bailey**. I think some of these innovative things are things we ought to look at. One of the points that I jumped over in my written testimony is that we should possibly designate at least $640 million of the $3.2 billion from the State Department's economic support fund for the purchase of U.S. agricultural commodities. Now, this type of thing is what we really—is part of the tools that we really need.

You know, I think you make a real good point also in that the actual strength of a country is generally not its armies over the long term, but it is the economy. I think that the State Department needs to be reminded of that; that the strength of this country is the strength of the commercial entity within it over the long haul.

Senator **Zorinsky**. Thank you.

Mr. Johannsen, you indicated that a new United States-Soviet grain sales agreement should contain a higher minimum purchase commitment by the Soviets.

What minimum tonnage would you recommend be specified in any new agreement, or do you have any ballpark figure as to what you feel should be a new minimum?

Mr. **Johannsen**. Let me confer with Don a little bit and see what have we finally stabilized on.

Mr. **Loeslie**. Senator, I don't know that we are in a position to put the numbers in, as much as we would like to. We certainly—you know, I would like to see at least 15, but I am sure that is not going to be the number that we will be able to address.

Mr. **Johannsen**. I think we are more concerned though with a minimum level more so than we are with a maximum. I think that maximum would probably be able to take care of itself. I do have in front of me some figures that do greatly concern us indicating that in 1976-77 we had about 63 percent of the Russian market as far as wheat sales, and they go down through the years, it has declined to the 1982-83 forecast as 15 percent of the market share. So somewhere we need to be doing something that gets us back into that market in a larger way.

We look at what could have been, hindsight. The lost sales since about 1979 to Russia are, what, Don, over 500 million bushels.

Mr. **Loeslie**. About 536 million bushels just on the supply and then of course, as you indicated, Frank, that percentage has dropped significantly, and so perhaps we have reached the point where we want to be addressing that portion of the market if we are going to participate in it. It needs to be addressed with a long-term agreement, with those minimum levels.

Mr. JOHANNSEN. But basically, couldn't we have resolved our present plight with the domestic PIK program even had these things not come about?

Mr. LOESLIE. Maintaining that——

Mr. JOHANNSEN. We could have probably have sold somewhere around an additional billion bushels of grain into that Russian market over that period of time. That's about the number of bushels of grain that we are trying to get rid of right now through the domestic PIK program.

Senator ZORINSKY. Mr. Loeslie, you note that you have encouraged the administration to invite discussions with the Soviet Union to renegotiate a new grain sales agreement. Has the administration given you any response to your recommendation?

Mr. LOESLIE. No. I don't know that there is any movement at this point. I think it's strictly in limbo as I've heard.

Senator ZORINSKY. I see.

Mr. BAILEY. I think that possibly would be a point that may want to be addressed in legislation, of putting a date and time in asking the administration to actually spell out what its actions are as far as the LTA's go.

I might also comment that the corn growers did have a delegation in Russia last fall, and unofficial talks of course. The most common numbers that were heard there were 12 to 15 million metric tons. The tradeoff from the Russians was continuance of article II, protection from embargoes; so I guess it is now to firm up those positions and to get both sides to act.

Senator ZORINSKY. I would just like to point out, about 3 years ago I spoke at a chamber of commerce meeting in Tokyo, Japan, and the presidents of Sony, Hitachi, and other individuals were there. I indicated that my wife and I had visited a supermarket there and noticed that their steak was selling for $36 a pound. I indicated to them that we could probably save them some money by selling it to them for $15 a pound and they could in turn sell it for $20 a pound and their consumers could be better served. Their answer in reply to me was, I don't know why you're so concerned about beef. Our main dish here is fish. And I told them, at $36 a pound, I don't see how they sell any beef there.

But we could cultivate the market for them and show them how to merchandise it at an affordable price. I think some of this mentality in those areas where a commodity becomes something of a Holy Scripture to them with regard to a two-way street in trade with this country is a barrier that needs to be broken—that has to be broken in order for us to survive in the world market.

Beyond that, I'd like to just point out the fact that, you know, we laugh when—or don't laugh, but we acknowledge the fact that the Soviet Union puts about $3 billion annually into Cuba's economy while we put $4 billion annually into West Germany's economy. Because of the nature of 260,000 American troops there and that doesn't count hardware equipment such as tanks or warheads or physical weapons or aircraft and things of that nature.

I can just envision that one day someone woke up in our so-called friends Parliaments, including Japan and made the observation that if the U.S. taxpayer is going to pay their taxes defending those countries, what was going to happen to the money generated through taxation in those countries?

One of them came upon a brilliant idea of using their own internal tax structure to subsidize their industry and agriculture in order to take away the world marketplace of the United States. I have got an egg producer in Nebraska who used to sell eggs to Saudi Arabia and lost the account because West Germany started providing $1 a case subsidy for every case exported. So, they lost that account; and they lost it because they pay taxes from Wakefield, Nebr., to the U.S. Government that the U.S. Government gave to West Germany, that West Germany gave to their egg producer to take this individual's egg business away for Saudi Arabia. So, I think this is a complex situation and I commend the chairman for embarking upon a much needed focus and spotlight and that is the rest of the world out there that we seek that marketplace is in—has many more cards stacked against us than what is visible on the surface.

I'd like to thank you gentlemen for taking time from your occupations and your businesses to come. As the chairman indicated, you once again proved that wisdom and alternatives do indeed lie west of the Potomac River.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Ed.

Let me ask just one final question.

We may as well face it. We hear that The Washington Post, which exports very few newspapers to the EEC, takes a dim view of our trying to protect our farmers. We talk about a trade war and the risk of a trade war; well, we are already in a trade war. We just haven't put any bullets in our guns.

But down the road, even though we are all fairly well in agreement, we are going to have some resistance and we are going to hear the suggestion that there will be retaliation if the United States takes stronger action. Would any of you, or all of you, be willing to think about that for just a moment and assess for me, just as one Senator, the risk involved and then the question of whether the risk is worth it?

Now, I'll be glad to hear from anybody.

Mr. LOESLIE. Senator, as you indicated, I think we are in somewhat that position already, and it wasn't because of our own doing. I would suggest that we are not openly trying to get into a trade war, but perhaps if we use the Egyptians as step No. 1, that sale, that is an informational piece, if you will, that this is the position that they have put us into. If we put in place an export PIK, that is the second position that we may have to use if they force us to take step No. 2. It doesn't mean that we have to really jump out and say we are going to do all of these things. It is really kind of at their command.

And then third, and although I personally oppose it, and my organization opposes it, if those things don't come to bear, we still have military and economic clout in this country that is favorable in a lot of nations, and maybe we will have to command a percentage on that basis. Hopefully, none of those things would have to be done, but you are only asking them to come back to where we started, and that is to a fair, equal trading basis and at that we don't have to exercise this, even though we can. I would just respectfully suggest that the intent is not to start a trade war. I think we are all very much opposed to it. We are only doing this because we do have to protect our interests. The situation has mushroomed through the years and gotten what we feel is totally out of hand, and it just looks like it's going to continue higher. Quite frankly, maybe they've had the home field advantage. Maybe we're just moving the home field to our country and they will have to then decide what they want to do. Step-by-step basis.

Mr. JOHANNSEN. I would certainly concur with Mr. Loeslie on that; that these were world actions, I think, that caused us to be in this position, and that I think the United States would be only too happy to cease and desist these things if they were to do likewise. But I don't see how we can exist unless we do the things that our competitors are doing if that is what it takes to get us back to where we have a freer trade in the world.

Mr. BAILEY. I'll just make one comment.

I think that even though we've been fighting export battles for a number of years and basically giving ground. We don't really know yet the response that the other countries are going to take. We've fired one shot, in Egypt. They've fired one shot back. As I understand with Moroccan wheat, and so as this exchange starts in, we really don't know yet how fast we can gain ground.

Now, so when you ask me, should we go ahead and take the risk, I think the answer has to be yes, because the alternative is so terrible. I mean, agriculture—if we give up agriculture in world trade, this economy will have to absorb such a shock that Japan and Germany will have to pay their own defense bills.

The CHAIRMAN. That's correct.

Mr. BAILEY. There's no question about it.

So, I think the alternative is so bad that we must proceed, but let's proceed with precision and I guess I'd make the point that we're taking shots at the EEC and Japan here, but don't forget the other economies that enter in this, Brazil and Argentina and other countries around the world that are not above dumping what they have in their agricultural arena.

I'd like to make one other point. I didn't answer the question of how we get off that freight train earlier on. The answer is when the American taxpayers refuse to pick up the bill. I guess all I can say is that we had better have achieved our goals before that happens, or maybe we ought to export a few consumer activists to those countries to go along with it and buy us a little more time. [Laughter.]

The CHAIRMAN. Gentlemen, thank you very much.

I want the record to show that I had not discussed my question with these gentlemen, nor their answer. They didn't know I was going to ask it.

But again, with each of you, I had a nodding acquaintance because you were speaking and I was nodding my agreement.

Thank you very much. Very good testimony.

I see on the agenda that we have the food distribution panel, consisting of Wallace J. Campbell, who is president of CARE; E. Morgan Williams, president of the Cooperative League of the

United States; Larry Jones of the Larry Jones International Ministries of Oklahoma City, Okla.; and Robert Ainsworth of World Vision.

Morgan, do you feel like you've come home?

Mr. **Williams**. Yes, Mr. Chairman, I'm glad to see all these staffers here. As a former staffer——

The **Chairman**. You feel like you ought to be sitting back here, don't you?

Well, we miss you, and we're very proud of you.

You gentlemen are listed in the order of Mr. Campbell, Mr. Williams, Mr. Jones, and Mr. Ainsworth, and I guess that is as good an order to follow as any, so, Mr. Campbell, we'll be delighted to hear from you, sir.

STATEMENT OF WALLACE J. CAMPBELL, PRESIDENT, CARE, ACCOMPANIED BY CHARLES SYKES, DIRECTOR, WASHINGTON OFFICE

Mr. **Campbell**. Thank you very much, Mr. Chairman. I am very happy to have the opportunity to appear before your committee. I have with me——

The **Chairman**. If you would withhold just a minute. I want to get the door shut.

[Brief pause.]

The **Chairman**. Thank you, sir. You may proceed.

Mr. **Campbell**. Thank you.

As you pointed out, I serve as president of CARE. I have with me today Charles Sykes, who is our director of the Washington office for CARE and who spent 20 years overseas administering these programs in India, East Pakistan, Egypt, and other countries. If there are technical questions that I can't answer, Charlie Sykes can answer them.

The **Chairman**. Thank you, sir.

Mr. **Campbell**. Last year, CARE provided 850 million pounds of food, about half a million tons of food, to needy people overseas to combat hunger and malnutrition, and promote self-help development. We are therefore greatly concerned with the issues being addressed in these hearings.

I believe our foreign agricultural policy must look beyond our present difficulties to long-term market development that will benefit our farmers in years to come and help preserve America's leadership while providing much of the needed measure of global food security.

The USDA data shows that the total world imports of wheat and coarse grain nearly doubled between 1970 and 1980. This increase was 146 percent in less developed countries and 68 percent in the developed countries. Yet, in the least developed countries, the poorest countries, representing 1.3 billion people, with per capita incomes of under $360 per year, grain imports increased only 9 percent in that same 10-year period. In other words, the hungriest nations with the greatest food potential demand for U.S. agricultural products benefitted least from our food marketing system.

In Africa, for example, per capita food availability actually declined by 10 percent in the past decade. I believe an effective foreign agricultural policy is one which marries our commitment to alleviate world hunger with the interests of the American farming community. Yet, such a policy is not effective overnight. For example, it took decades for Korea and Taiwan to graduate from our Public Law 480 program to become two of our largest agricultural customers. The chairman has indicated his very great interest in this area.

Today, more than 500 million people suffer physically and mentally from insufficient food and annually about 15 million children do not survive. Yet, the FAO projections indicate that the situation is likely to deteriorate further before it improves. In part, this is due to global economic conditions. At the macroeconomic level we find that in many of the poorest developing countries, there is a substantial demand and need for food which fails to gain expression in the classical economic sense because these countries lack the financial resources to meet basic food needs.

These countries are often faced with making harsh economic decisions between basic food needs, fuel and other resources for growth and development. Economic self-interest and humanitarian instinct, however, prompted the United States to respond to these situations through concessional sales programs. Nevertheless, Secretary Block reported Tuesday before the House Foreign Affairs Committee that our agricultural exports to less developed countries, which had been increasing over the 1979–82 period, declined 18 percent last year.

At the microeconomic level, we find a similar pattern with families and individuals too poor to enter the marketplace. We have responded to these situations primarily by donations through private voluntary agencies and the World Food Programme of the United Nations. Yet, here we have not been keeping pace with the mounting needs.

Mr. Chairman, I believe there are a number of new provisions in the agricultural bills before this committee which, if enacted, would enable volunteer agencies like CARE to respond to this urgent situation. One of these provisions is in your bill, S. 251, with similar provisions in Senator Dole's bill, S. 18 and in the House in Congressman Pat Roberts, H.R. 1407. This provision would amend section 416 of the Agricultural Act of 1949 to expand the CCC overseas dairy promotion program to include other agricultural commodities and products.

In addition, it would provide the administration with discretionary authority to make surplus commodities available to public and nonprofit humanitarian organizations for barter and sale and direct distribution. Voluntary agencies are now unable to barter or sell under the existing 416 authority, nor can we conduct these transactions with foreign governments under Public Law 480.

Although restrictive regulations have made it difficult for voluntary agencies to make better use of 416 authority to date, CARE appreciates the legislation introduced by the chairman last year that led to the creation of the overseas dairy donation program. We are equally appreciative today for this new amendment, which would make both dairy and nondairy surplus commodities available, and would simultaneously give us the additional flexibility we need to use these commodities more effectively.

For example, with this authority, surplus commodities could be sold by approved voluntary agencies in developing countries for local currencies where the proceeds are used to help defray the costs associated with implementing and expanding much of the needed feeding program.

To oversimplify the case, we could use the sale of the commodities to defray the cost of distributing the commodities so that this great program could be undertaken without an impact on the Treasury. That's an oversimplification but it illustrates the overall impact of these amendments.

Moreover, expansion may be both in the new countries and regions as well as existing program. Similarly, small nonmarket disruptive sales might be used to establish a revolving fund through which small loans could be made for marketing and development projects. As an example, a proposal of this kind has already been made in the Philippines to the Philippine Government by CARE. This is waiting for implementation by the Department of Agriculture. It is our understanding that the new legislation would eliminate the difficulty USDA has in approving proposals of this type.

I hasten to add, however, that CARE as an organization does not seek to profit from this legislation, nor could we because of the nonprofit character of the organization. I fully recognize the need for safeguards such as those provided in S. 251 and S. 18 which stipulate that no portion of the proceeds or services realized by the sale or barter may be used to meet operating and overhead expenses of the cooperating organizations. However, I recommend that this proviso be interpreted to mean that while such proceeds and services must not be used to meet the regular administrative and overhead expenses of the recipient organizations in the United States, that allowances be made and guidelines provided to permit the use of these proceeds to meet basic costs and expenses and help defray the operating costs of implementing and expanding food aid projects overseas. I think this is an important difference and I think it is in line with the intent of the authors who wished to safeguard the procedure.

I believe a precedent for this has already been made in section 202 of Public Law 480, permitting the President latitude to furnish commodities to recipient agencies in such manner and upon such terms and conditions as he deems appropriate.

I would like also to say a few words about the importance of increasing the volume of food aid and the flexibility of voluntary organizations under Public Law 480, title II, which as you know is the guiding force behind the food aid efforts.

During the last session of Congress, CARE and the American Council of Voluntary Agencies testified on the importance of immediately increasing the overall minimum tonnage requirement under title II. I know that Senator Melcher in his Emergency Agricultural Act last year also made provisions which would increase the title II minimum tonnage to 2 million metric tons. Nevertheless, the administration's fiscal year 1983 planned program level for title II remains the same as last year, and is sharply down from 1980 and 1981, this in spite of the fact that we have the largest surpluses ever available to use in these programs. I hope that your committee will take this matter up seriously and quickly because it is one of the best ways to move commodities quickly overseas without a competitive market.

It is with this need for additional commodities in mind that I draw your attention to the possible amendment within the framework of your bill, S. 251, and the Cochran-Huddleston bill, S. 14, both of which would permit the President to donate CCC held stocks to title I and title III of Public Law 480 provided they be in addition to existing program levels. The addition of title II to this provision, with appropriate report language, would allow the voluntary organizations to use more agricultural commodities under title II for ongoing programs, instead of the current practice whereby a significant portion of these commodities are held in reserve as a safeguard against unforeseen emergencies.

An unfortunate result of this setaside is that the unused emergency supplies create an end-of-the-year surplus when there should not have been an end-of-the-year surplus at all.

In closing, Mr. Chairman, permit me to say a few words about another variable in the equation which, along with higher food tonnages, would be instrumental in increasing our overseas food aid effectiveness. I am referring to the need to grant the voluntary organization greater flexibility and discretion in carrying out title II programs based on their assessment of the needs of the people assisted.

As I mentioned earlier, there are a large number of hungry people who are not being reached under title II. Similarly, voluntary agencies and cooperatives can play a very large role in carrying projects under title III food for development programs. I am pleased to report that Senator Dixon has already incorporated in S. 490 legislation, which he submitted yesterday, the provisions which would support these objectives; that is, to allow the voluntary agencies and cooperatives to use title III of Public Law 480 as well.

Mr. Chairman, as president of CARE, I have traveled to some of the poorest countries in the world. I have seen land reclaimed by the landless; health restored to nourished infants; lunches attracting the children of impoverished laborers to attend school; and the victims of natural and manmade disasters regaining their strength for reconstruction through U.S. food aid.

These programs which we feel respond to the wishes of the American people sustain the American commitment to humanitarian assistance and development.

Mr. Chairman, I want to thank you and members of this committee for the opportunity to appear before you.

Senator WILSON [presiding]. Thank you very much, Mr. Campbell, for your statement and for your very fine work. We will next call upon Morgan Williams, who has submitted a written statement. Your statement will be entered in the record in its entirety, Mr. Williams, and I would invite you to summarize the statement.[1]

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[1] See p. 217 for the prepared statement of Mr. Williams.

STATEMENT OF E. MORGAN WILLIAMS, PRESIDENT, COOPERATIVE LEAGUE OF THE UNITED STATES

Mr. WILLIAMS. Thank you, Senator.

I would like to say that the Cooperative League in U.S. agricultural production is involved in this area in three different ways. First, we have many members, of course, in the cooperative business community who are distinctly interested in the sale of agricultural commodities. So, that's our first emphasis, the sale of agricultural commodities at home and abroad.

Second, the Cooperative League is also involved in the distribution of American agricultural products for food relief around the world. Most of our involvement there is through CARE. The Cooperative League helped form CARE in 1945. CARE stands for Cooperative for American Relief Everywhere, and our representative on the CARE board is Mr. Campbell, who also serves as the president of CARE. But in addition to the promotion of agricultural products in the commercial market, in addition to using agricultural products to feed hungry people around the world, we are also involved in using agricultural products to help develop the Third World.

Using agricultural products to help develop the Third World is done in conjunction with the Public Law 480 program and the Agency for International Development [AID].

I would just like to comment briefly from our members who are interested in the sale of agricultural products, that they would certainly support any program by the U.S. agricultural community and the U.S. Government to stop the retreat from export markets that we have been experiencing.

We certainly feel the time to stop running away from the problem is now. We think that we have gone from being a leading supplier to a residual supplier. We have done that in many different ways, which are clear to this committee and many of the people today have testified on that.

We, certainly feel that, as Senator Helms said before he left, that we have been in a trade war for years, we just haven't engaged the enemy. We feel that we have been sending the wrong signals to our competitors. With the competitive advantage we have, we should be in a sense running them out of business, but because of the signals we send them, they run us out of business.

We think that we should make it a national policy not to be a residual supplier and move to make sure that that didn't happen.

We would support an expanded export equalization program. We think there needs to be more pressure from the farm community and from the Congress to negotiate a new long-term agreement. We believe that there should be more bilateral trade agreements and we certainly support the wheat flour sales to Egypt. We feel like we need to take bullseye shots in specific markets that have been taken away from us and would certainly support this administration and the Congress moving to continue to take a series of bold steps to guarantee the competitiveness of our products and the restoration of our markets.

As a member of the National Council of Farmer Cooperative Blue Ribbon Trade Committee, we also support the testimony of Mr. Gaston this morning. This committee has worked long and hard on a variety of issues, and the Cooperative League certainly supports the program outlined by Mr. Gaston and supported by the National Council of Farmer Cooperatives. We endorse that program and his testimony in its entirety.

But the question that I am testifying on today is in a sense the use of American agricultural products for economic development in the Third World.

The Cooperative Leaque believes there have been some creative new devices in the last few years which we use American agricultural products to develop the Third World. We think the economic development of the Third World is certainly in our interest and can be very exciting and creative work in the future.

The Cooperative League at the present time is implementing in India the largest Public Law 480 program for development ever approved by the U.S. Government. We have developed a program in conjunction with the India Dairy Cooperative Development Board to assist in the creation of the production of marketing of vegetable oil in India. When we started this program there was a monopoly in this business in India. There was certainly a shortage and there certainly were horrendous profits.

The New York Times just reported recently that because of the Cooperative League program with AID and Public Law 480, that the monopoly in a sense has been broken and the profits of monopoly have been reduced substantially and vegetable oil is starting to move. The way that the program works is that $130 million worth of vegetable oil is being shipped under our direction to India, to the Dairy Development Board over a 3-year period. The oil then flows on to the open market. The rupees that are generated through these sales then go to the cooperatives and they are using that money to develop production, to develop the plants for crushing, and to develop a marketing process. Hopefully, at the end of a 3-year period, we will have in place a program in India where the farmers of India, through their own controlled, owned, and managed cooperatives, will be able to move ahead with their own production.

We are using Public Law 480 in this sense to buy agricultural commodities in the United States and ship them to a foreign country, and we are using the funds generated for long-run economic development. We are increasing the capacity of farmers to produce; we are creating long-term, privately owned, privately controlled economic institutions called cooperatives that will be owned privately, not publicly. We are stimulating the production of agricultural products in those countries and hopefully future markets for the United States.

We are also supporting the generation of free enterprise around the world for economic development, which has been so ably put by President Reagan recently in terms of, instead of supporting government-to-government, that we should support more private enterprise development in the Third World.

We feel that the use of Public Law 480 for development purposes around the world rather than relief or in addition to relief has just begun.

We think that the market has just been opened. The project that we have started is the biggest; AID likes it; and the Indian Government likes it. Mr. McPherson, the administrator from AID was recently in India visiting our project and wants it expanded there and to other countries.

So, we feel like that many things could be done in this area. And one thing that could be done is that section 416 as in some of the bills that have been introduced in this committee, could be expanded to include nondairy donations for donation to public and nonprofit private humanitarian organizations.

We strongly support the provisions made by the members of the committee in permitting the barter, sale, and direct distribution of these commodities.

As noted in our India vegoil program, the sale and monetization of the donated commodity is a vital element in the creation of the cooperatives' private enterprise system in foreign countries and the developing of a market and distribution system for that country.

We could utilize an expanded 416 authority and the commodities for example in carrying out Operation Flood II, which is a new program we are developing in India. I might say that with the $130 million that the American Government is putting into this development program in India, we now have a commitment from the Canadian Government to put in an extra hundred million because they like the kind of creative work that we have done. And they are putting it in through the cooperatives of Canada, who are now cooperating with us to develop this new system in India.

Under this program, the India Dairy Development Corporation would expand its development of urban dairies beyond the cities of Bombay, Calcutta, and several others to include other metropolitan areas.

Dairy products provided under this authority could be sold by the India Dairy Corporation to establish a revolving fund which would be used for establishing both the urban dairy facilities and the privately owned control for enterprise property structures to involve local dairy products.

We recommend to the committee that the programs carried out under expanded 416 authority be carried out within the structures and personnel already in place at the Agency for International Development, the Food for Peace Bureau, to see that such administration would not disrupt activities already in place and would not create a duplicative structure.

It is our recommendation that the language of section 416 should be used in some way to avoid duplication of administration.

In addition to the administration of expanded 416 authority to be carried out under Public Law 480 guidelines and safeguards, the league would also recommend to the committee that budget implications of the new expanded commodity utilization not be counted toward the Public Law 480 account but those costs charged toward the agricultural account. If the cost of the 416 expansion were charged to the Public Law 480 account present ongoing programs by numerous organizations such as ours overseas would be seriously hindered or cut off due to inadequate funds and really there would not be any more American products flowing overseas for relief and development. The Cooperative League supports the amendment so that more products can be moving overseas for relief and development.

In summary, the Cooperative League joins with the farm organizations and commodity groups here saying that it is time that we stopped the retreat from our foreign markets and renew them in an expanded export program of the United States.

We also support moving agricultural products to some of the world famous relief organizations from America who do such a good job of feeding hungry people. But we also support the expanded use of American agricultural products to develop the Third World, and we believe expanding the 416 authority would be one step in that direction.

We believe that it is in our interest, in the interest of our Government, in the interest of our economic policy, and our foreign policy that we help develop the Third World.

So, the Cooperative League would support efforts by this committee to expand the commercial sales of exports, to expand agricultural commodities for relief and also agricultural commodities for development.

Thank you very much.

Senator WILSON. Thank you very much. We appreciate your testimony, Mr. Williams.

Larry Jones, president of Larry Jones International Ministries of Oklahoma City.

STATEMENT OF LARRY JONES, JONES INTERNATIONAL MINISTRIES, OKLAHOMA CITY, OKLA.

Mr. JONES. I would like to thank you, Mr. Chairman, for the opportunity to address this committee today. At the conclusion, I will have a prepared statement for you for the record.[1]

I would like to also share that the food distribution arm of our International Ministries is entitled Feed the Children. We are relatively young; we are just a little over 3 years of age.

I went to Haiti in 1980 and upon my return I discovered that President Carter embargoed wheat against the Russians. That's the first time I really became aware of the fact that we have over 1 billion bushels of surplus wheat. I had just come from a country where there was poverty, starvation and death. I heard the statistics that 40,000 people starved to death or died from malnutrition related to diseases each day, half of those being children under 5 years of age. And, Mr. Chairman, it never touched my heart, but in January 1980, I conducted the funeral of a little boy who was 16 months old and weighed 12 pounds.

Needless to say, I was embarassed, and I was guilty, because my theological education came from a city in Oklahoma called Enid, Okla., where one thirtieth of the world's wheat is stored. I held the funeral of a child who lived 650 miles from the Continental United States, and we let that child starve to death.

I came back as a private citizen and said, we must do something. I have a television program and I got in television and I said, farmers, and I told the story I just told you, and they began giving me wheat. Right now, I am supplying 34 different churches with wheat and it is being distributed to the poor, to the starving; I have a hotlunch program feeding over 2,000 children each day, not only wheat, but corn, rice, beans, and other surpluses. We have shipped wheat into Poland, Kenya, Sierra Leone, Jamaica, and Honduras; we are feeding the Miskito Indians. We were run out of Nicaragua. Within the month we will be feeding in Guatemala, El Salvador, and Costa Rica.

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[1] See p. 221 for the prepared statement of Mr. Jones.

I was told that we could not go into foreign countries and feed without a lot of trouble from government and military. We have not had any trouble. We have also gone behind Communist lines. I was told we would be hurting other peoples' economy. Mr. Chairman, the people we feed, if we don't feed them, they are going to die.

There is a myth out that the U.S. Government cannot feed the entire hungry world. I want to set the record straight. We have well over 30 million tons of wheat, not counting other surpluses. It would take 14 million tons of grain to feed every hungry person on the planet Earth three slices of bread a day, which would leave a surplus of 16 million tons left over.

Mr. Chairman, I am nervous today because we have over 20,000 children dying each day and we have literally sat on over 1 billion bushels of surplus wheat for well over 3 years. I would encourage any legislation that would release that surplus grain to humanitarian organizations that will take it and feed the hungry and the starving.

A long time ago, Oliver Wendell Holmes said that the world is always surprised at a sudden burst of commonsense. I believe that if this grain is released, the Government's problem will be solved because it will cut down storage costs; it will help the American farmer if the grain is released because the price of grain will then go up. I think our Government has overlooked the fact that the strongest weapon the United States of America has is not her missiles, her planes and her tanks. The strongest weapon that America has is her surplus food.

I cannot understand after holding in my hands a child who was dying of starvation, how we can tell our farmers, don't grow grain, plow it under, graze your cattle, turn it into hay. Someone in a moment of anguish said, corporations have no conscience.

Please, Mr. Chairman, do not let it be said of our Government that we have no heart, because recently someone shared with me, you can take 10 children and put them at a table. Put a plate in front of each one. The first three plates are full to running over In fact, some will be thrown away; that represents the United States.

When the Japanese left the United States a couple of years ago after viewing our great Nation, and they were asked to comment about what they thought about it, the comment was, the size of your garbage cans.

The next two plates have rice and beans. The children will make it. The next three plates have a little rice. These children will be underdeveloped and very nervous.

Mr. Chairman, the last two plates are empty—those children are going to die. Today, I speak for the silent dead. As president of Feed the Children, President Carter, and President Kennedy said, we have the resources to feed the hungry world. We just lack the will to do it.

I would encourage any legislation that would release our surpluses to the hungry and to the starving. Mr. Chairman, I pray that we have the will to do it.

Senator WILSON. Thank you, Mr. Jones.

Robert Ainsworth, World Vision.

STATEMENT OF ROBERT AINSWORTH, REPRESENTING WORLD VISION

Mr. AINSWORTH. Mr. Chairman, I first of all would apologize for not having a prepared written statement. When I received a call the night before last with the invitation to appear before this committee, I was in northwest Iowa, meeting with a delegation of farmers. We agonized for most of the afternoon and evening, trying to work out a program where some of the excess corn that is presently overflowing our storage facilities in Iowa, could possibly be moved to some of the needier places in the Third World; and I came away from that meeting with the impression that there are some tremendous frustrations amongst the farmers in Iowa, which is probably not news to anyone in this room.

There are two types of farmers. There are the wealthier farmers who have their land paid for, who are feeling very stubborn right now and are determined that they are going to let their corn continue to collect in storage for at least another year. Now, that will give them 3 years of corn, some of it sitting on the ground, since every bit of storage space, will be filled.

Then there are the younger farmers, who are overextended, who are struggling, who would probably be better off not planting any corn this year, because they will produce at a loss; and yet, as one of the older farmers said, when spring begins to come around, they'll be out there planting.

I would echo the sentiments of my colleague on my right; that is, it seems like such a waste to have all this food just stockpiling and continuing to cause such anguish to the farmers when it is so desperately needed in so many places overseas.

Let me begin with just a few words to introduce World Vision, which is a California-based agency. In terms of private donations, World Vision is the largest private volunteer agency engaged in overseas work today, with an international partnership income of about $150 million last year.

We are currently operating in 86 Third World nations with approximately 3,000 projects at the grass roots level; the village level. Last year, we touched the lives of an estimated 8½ million people, and this includes approximately 400,000 children that are sponsored by families from our major support countries, which includes World Vision of the United States, World Vision of Australia, World Vision of New Zealand, World Vision of South Africa, World Vision of Europe and World Vision of Canada.

I might add that our board of directors includes your distinguished colleagues, Senator Mark Hatfield and, the Chaplain of the Senate, Dr. Richard Halverson.

Approximately 70 percent of the funds that go into our overseas program focus on village-level community development. The intent there is to raise families in their communities to some level of improved self-reliance. We adhere to the belief that in the long term, it is better to teach these people how to raise their own food than to continue to try to provide it from our own country. However, there are also many places where our excess food commodities can be used effectively to help get that kind of self-reliant effort started.

Of the $95 million donated to World Vision from the United States last year, over 87 percent came from private donors and less than 1 percent came from the U.S. Government.

To implement our programs overseas, we have approximately 11,000 workers, most of whom are indigenous employees or project workers.

My purpose is not to impress you with figures or the size of our programs. Considering the desperate needs that we are attempting to alleviate we have hardly scratched the surface. For example, 400,000 children is an impressive figure, but the latest estimate is that 400 million children are severely malnourished. To make that very specific: I asked a colleague the other day, how his family was doing and he shared with me that although he didn't normally like to brag about his children, his daughter, in the fourth grade, had just placed in the upper 96 percentile in the intelligence tests that was given across the country.

The thing that was unusual about this is that when he was a missionary in Bangladesh, just before leaving, he and his wife decided to adopt a child. A baby girl that had been found abandoned in an alley in downtown Dacca weighing less than 3 pounds was turned over to this family, and after considerable medical care, was nursed back to health. This was the fourth grader that had placed in the upper 96 percentile here in the United States. It illustrates the tremendous waste that exists out there in the Third World of children that have so much to offer to the world. That is one of the things that we are trying to address today.

Because our main emphasis overseas is to help families to learn to care for themselves through improved health care and nutrition programs, water development, better agricultural practices, et cetera, we have not engaged ourselves in massive food aid programs under the provisions of Public Law 480. Our own view is that food aid should be limited primarily to relief conditions such as drought and war conditions that have interfered or disrupted food production. That being said, we believe the Agricultural Export Equity Act that is being considered before this committee could make an invaluable contribution both in alleviating the financial pressure on the U.S. farmer but more important, from our standpoint, in alleviating the very real suffering that exists in the Third World.

Let me highlight just a few specific examples where these kinds of foods could be used right today if we had the opportunity to use them.

We are very much involved in Ethiopia, in Ghana, in Peru, in Ecuador, in Poland, and El Salvador. In South America, we have been working with Los Disposeidos, "the displaced people." This is a whole class of people, about 400,000, most of whom live in the slums and less desirable rural areas. When the guerrilla forces enter their villages our workers are warned by the local people and they leave the area. When the guerrillas leave, our people are called back in.

The effort here is to enable these people to take care of themselves, where they can produce their own food and don't have to move into the city slums. They can remain in the countryside and care for themselves.

It is essential, we believe, both from a humanitarian standpoint and from just our own personal self-interest to do all we can to help these people because they are the breeding ground of the guerrilla forces that are causing so much difficulty in Central America today. The Agriculture Export Equity Act would enable organizations like World Vision to alleviate the immediate needs and begin community development programs.

A second example would be in responding to disasters. It is predicted that there will be a tremendous increase in typhoon activity in this calendar year. This means that in places like India and Bangladesh, we are going to see substantial numbers of flood victims because of the population pressures that have caused settlement in the flood areas. When those storms begin to hit, we are going to see the need for whatever kinds of food are available.

This being said let me add that we have two major concerns with regard to the proposed bill: one, that however this legislation ends up being approved, the reporting and auditing requirements associated with humanitarian relief should be minimized. The administration presently involved in Public Law 480 are extremely difficult to handle in most really needy situations; and we would hope that the administrative burden that would be passed on to the volunteer agencies would be very limited, very light.

There are agencies, such as CARE, that handle Public Law 480 extremely well, and we cooperate whenever we can. We believe in it, but also we believe that these agencies are geared to handle that kind of administrative burden. However, agencies that are primarily concerned with community development simply can't meet those kinds of requirements or share that kind of administrative burden.

The second area, of course, is the cost of transport and shipping. This simply can't be borne by the voluntary agencies. We believe that the monetarization provision would provide the necessary flexibility that would allow us to sell some of those commodities in order to pay for those expenses. For example, concerning the corn that the Iowa farmers have been talking about for possibly contributing to World Vision, one of the biggest holdbacks is how we would transport it where it's needed the most. We simply don't have the kind of finances to transport 1 million bushels of corn, even if it were given to us free as proposed. So, the monetarization provision, we feel, would be very helpful.

Thank you, Mr. Chairman, for allowing me to appear here today.

Senator WILSON. Thank you very much, Mr. Ainsworth.

The chairman, Senator Helms, had some questions. I think, however, they may have been pretty effectively answered by the testimony in particular from Mr. Williams and also just now from Mr. Ainsworth.

But I will address it while we have the privilege of the attendance of this distinguished panel in case there is anything that you may wish to add.

Chairman Helms wanted to know whether or not in your estimation the authorities granted in his bill go far enough in assuring that your agencies will be able to effectively bring surplus commodities to those in need in foreign countries. If there is anything that you wish to add or to reemphasize.

Mr. CAMPBELL. Speaking for CARE, we are very pleased with the legislation before you. The only point that I made was that the restriction on using any of the proceeds from the sale should not be used for the overhead of the organization. We believe that it should not be used for the organization in New York or any of our regular operations. But that the sale of commodities should provide some funds for local transportation and local costs of getting the food to the people in those countries. This is a matter of emphasis and I think properly administered the very commonsense approach to this will prevail.

But it might be useful to point out that these funds should not be used for overhead in the regular operations of the agency but could be used for the operations within the countries where the commodities are being distributed.

Senator WILSON. All right. Thank you, Mr. Campbell.

Anyone else wish to add anything beyond their testimony?

One point that is often raised, not necessarily by members of this committee, but other colleagues, is a concern that the food which is destined for the needy may not end up in their hands. I think that they are concerned with gaining assurance that surplus commodities will in fact be directed to those in need. I would invite your comments with respect to that.

Mr. WILLIAMS. Senator, my own experience in traveling around the world and watching development programs as well as relief programs is that the case that you are talking about many times happens on government-to-government programs. But the voluntary agencies and the relief organizations make sure that doesn't happen, because most of them follow the product clear to the school or the place where it is used.

I know in going to see some of the CARE programs around the world, CARE now, Wally, is feeding 30 million children a day?

Mr. CAMPBELL. That's right.

Mr. WILLIAMS. CARE is feeding 30 million children a day, and by hiring local people to watch those programs—CARE won't take on a program with a government unless the government will allow CARE to follow the food all the way to the end. We feel that using agricultural products through the American voluntary agencies in working with the indigenous voluntary agencies, we make sure that much of the waste, and much of the loss and seeing those programs siphoned off does not happen.

We think those programs are very effective and we think the leverage on those programs is tremendous, because with a few dollars then by using the donations that come into the groups and by using voluntary help and then the help from the foreign governments, we are able to leverage those programs and to make them very effective.

But also I would like to say, that one point that I—failed to say that with the $100 million that the U.S. Government has spent to provide vegetable oil to the developing cooperatives in India, we are very pleased just recently to—when the head of the Dairy Development Board met with Peter McPherson and the U.S. Ambassador in India, the Dairy Cooperatives told Mr. McPherson that they have now been able to lower the price so much that the demand for the product has gone up much farther than what they thought and they are going to place an immediate order for $30 million worth of American soybean oil to keep their market going. We think we have developed a process which in the long run will come back and far beyond pay us in terms of the seed money that we put up for the project.

I would say that when you use some of the well structured, well managed voluntary agencies, in answer to your first question, that what you are talking about is held to an absolute minimum.

Mr. JONES. Mr. Chairman, we have made it a policy from day one to go with our food and also film it and also take people who have given it so they can come back and give testimony that the actual food which they have given has been put in the hands of the hungry and the starving; and I understand the Senator—Senator Helms' concern at this point. I also would just verify what he has said, in that it is being done and one of the best things I can do for the people that support me is let them actually see the people being the recipients of the food, whether it be in a free country or in a Communist country.

Senator WILSON. A collateral question that perhaps you on the panel can best answer by virtue of your experience. This may seem somewhat schizophrenic, but we are—you on the panel and those of us here on the rostrum, are very much interested really in achieving greater export markets for the American farmer. We are also concerned with seeing that those in need not suffer needlessly when we have surplus stocks in this country.

The question that arises is whether or not through the efforts of agencies like your own there is encouragement or discouragement to the production of adequate food in the developing nations that you serve. I am curious as to whether or not your experience, your observation has been that to the extent your agencies succeed in distributing surplus commodities, there is a counterveiling effect in those countries which you serve.

Mr. AINSWORTH. Any food that would be brought into a Third World country, about the only people that it would compete with would be the wealthy landowners that are growing food primarily for export. We find that the kinds of food commodities made available by this proposed bill would help us to gain the confidence of the people in the villages; people that are often landless and closed out of the economic and political systems. By the use of these food commodities we can gain their confidence and then to begin working with them to make arrangements with local landowners to allow sharecropping-type of farming. This gives them a sense of hope for their future. These people can be taught to produce sufficient [illegible]od, some right in their own villages to meet their needs. As a mat[illegible] of fact in many cases very little land is required. And so we see [illegible] proposal as merely an opportunity to buy sufficient time to a[illegible] food production among people that are totally out of the mainstream of the normal food production chain of most Third World countrys.

Senator WILSON. Mr. Williams, I was very much interested in your statement just made with respect to the success of the vegetable oil program and the resultant increase in demand which your success has created.

Has that in its time stimluated domestic production?

Mr. WILLIAMS. Well, of course, we are in the development business, and what we found when we went there, that the most important component of the Indian diet, next to food grains, was the vegetable oil. As I said, it was very high priced; it was controlled by a monopoly, so there was a large demand there for the product that wasn't being met. We are using the oil that we ship them to start meeting the demand for the product so that a marketing system can be set up. What we are finding is that as the demand has gone up a lot faster than they can take care of, which then has meant sales for us. As you know, world demand for food is off, because we have many Third World countries that are in a recession and they are also borrowed up to the hilt and they can't borrow any more. So we feel that in the long run—now, in the short run, it's one thing—in the long run we feel that to increase the exports of U.S. products, those countries are going to have the capacity to buy that and if they are going to have the capacity to buy it, they are going to have to have productive systems in their own economy. We are very convinced that developing the Third World in the long run will bring a lot more wealth to the world, and we will get our share of that wealth and we will increase the exports of U.S. products.

Some people feel like if we go over there and help many of those countries produce their own food, in the long run, that means we will sell less. We do not agree with that theory. We think that the economic pie can get larger and larger and larger; we can expand production there and we can also expand production here and of course people will be fed better, but for people to be fed better in the long run, you have to have more income; and so we think that we can help build those countries and we can help build markets for U.S. products at the same time. They go hand in hand.

Senator WILSON. All right, sir. Thank you very much.

I thank all the members of the panel. We are very grateful to you for coming and sharing with your experience and giving us your recommendations for improvement of the legislation.

Mr. CAMPBELL. Thank you very much.

Senator WILSON. Ladies and gentlemen, we would ask those of you departing from the hearing room to do so as quietly as possible. We have another panel of witnesses.

I have the great pleasure right now in introducing the distinuished panel. As the prior panel indicated, the last panel on our list of witnesses today are Californians and I am delighted to be able to introduce to the committee the very outstanding representatives that are of enormous importance to my home State. They are personal friends and I am pleased to present to the committee first, Frank Light, who is president of Sun Diamond Growers, a federated cooperative representing SunMaid, Sunsweet, Diamond, Walnut, and Valley Fig Growers. Those cooperatives handle raisins, walnuts, prunes and figs domestically as well as for export, the subject of our concern today; Kalem Barserian is the general manager of the Raisin Bargaining Association, a very important farmer cooperative; Rich Peterson is the general manager of the Cling Peach Advisory Board representing all the producers and marketers of cling peaches in California, a very strong voice for the canned fruit industry.

These gentlemen are here to tell a story which I think they can tell better than anyone else. They can tell firsthand about the situation facing their industry today, about the steps which they have taken to alleviate the problems, about the frustrations that they have met. I think the story that they will tell is one that sets up the response which Chairman Helms and several of my colleagues have sought to meet by drafting legislation which has as a common goal the achievement of export markets from which we are now being excluded by tactics that we think are illegal, in any case, certainly not in the spirit of the general agreement on tariffs, treaty or tariffs and trade, but I will allow them to tell their own story. It is one that if you gentlemen had been here earlier found it was understood by earlier panels who supported the amendment that I have offered on your behalf, the situation in which you find yourself is not unlike that of the agriculture and poultry producers, those who have been involved in the production of other specific commodities.

We welcome you here and with that, I would invite the testimony first of Frank Light.

STATEMENTS OF FRANK LIGHT, PRESIDENT, SUN DIAMOND, KINGSBURG, CALIF., AND KALEM BARSERIAN, RAISIN BARGAINING ASSOCIATION, FRESNO, CALIF.

Mr. LIGHT. Thank you very much, Mr. Chairman.[1]

If you will permit a diversion, you know, all of us at home have known that you are a Senator and have been on a very fast track, but I can't wait to get back and tell them that already you have been serving as chairman of the Agriculture Committee of the Senate. [Laughter.]

Senator WILSON. You needn't supply the details. [Laughter.]

Mr. LIGHT. Mr. Chairman, thank you, too, for the kind and generous introduction of our panel.

We wish that Senator Helms was here in order to receive our thanks. As a matter of fact, I think all of agriculture, should thank Senator Helms profusely for taking a very strong lead in the last session of Congress. He took the initiative to change, as we view, the foreign trade policy of agriculture, as something that is sorely needed and we just don't know really how to get that across that he's done an excellent job and we are totally behind him in his efforts to change these foreign trade policies. We also of course are very proud to have our new Senator from California serving on this important committee.

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[1] See p. 223 for the joint prepared statement of Mr. Light and Mr. Barserian.

Mr. Chairman, I think if we left the committee with anything in representing the 5,000, near 5,000 California raisin farmers, we want everybody in this country to know that with free and uninhibited trade, we can sell, as a matter of fact, we can outsell any raisin producer in the world; we fear none. The quality of our product is superior to any in the world, and the productivity of the U.S. farmer is four times greater than that of the Mediterranean raisin producer. So with free trade, or fair trade, we need no aid.

We have been in international trade for 75 years and it is with our own money and our own creativity that we have developed markets in practically every world nation that does not produce their own raisins.

But these markets today are in jeopardy, and even worse, at this very moment our domestic market is now being damaged by unfair competition of the subsidized raisins from Europe.

For three crop years now, since Greece became a member of the European Community, their prices on the world market have been roughly 60 percent less than our cost and certainly less than half of the guaranteed price to their raisin producers in Greece.

Frankly, Senator, our growers no longer have the financial resources to continue to compete with the treasuries of the 10 European nations that make up the Community. Therefore, we petition, in fact, we pray, for immediate export trade relief for our producers.

Senator Helms' bill, S. 251, the Agricultural Export Equity Act of 1983, which has been cosponsored by you, Senator, we believe, will greatly remedy our immediate problem.

We should discuss also wine marketing while we are talking about raisin marketing. There is an economic phenomenon peculiar to the Thompson seedless grape and other raisins and varieties of grapes. These grapes can actually be sold in four market outlets: they can be crushed as wine; they can be dried as raisins; they can be sold as fresh-for-table grapes; or they can be canned in fruit cocktail. Normally, if you were a farmer, you would say this is a terrific advantage because we have various market outlets. But unfortunately, the escalated imports of subsidized European wine into the United States is causing a diversion of Thompson grapes from wine production to the production of raisins, so at the same time that the European Economic Community common agricultural policy is putting wine into this country and creating a raisin surplus, they are curtailing our foreign markets.

We are, virtually, at the point where we can no longer cope with this dual-market pressure.

In radical contrast to our U.S. raisin industry, the farm producers in each of the other countries receives some sort of assistance from their government, subsidies, price guarantees, freight and storage allowances, government sanctions, selling cartel organizations, just to name a few.

Over these many years we have, traditionally, been able to compete in these markets even with these other government programs, but in January 1981, these conditions changed abruptly. The world raisin market suffered a phenomenal disruption. At the time Greece entered the Community, it was able to negotiate and receive a massive increase in its system of aid for its raisin industry, and these shocking subsidies have been significantly increased in 1982 and 1983, suddenly offering prices on the world market at 60 percent below the world price levels is really hurting.

The impact is summarized like this, Mr. Chairman: During a critical export season in the United States, from August to October 1982, our sales to our hard-earned European Community markets were off 71 percent from normal levels and the overall U.S. export sales of raisins were off 47 percent.

During this same period of time when we started to get into problems with the Community, the importation of wine into the United States for calendar year 1982 was up 33 percent from 1979, forcing more grapes to be made in raisins. In desperation and to preserve our export business over this 3-crop-year period, our farmers have committed $50 million of their own cash to hang onto these markets. That's almost $10,000 per family. Our program, our farmers, are helping the United States hold onto our Nation's foreign market. We can do this until the end of this summer.

As you know, we have gone through the complete 301 GATT process as gentlemen. This dispute settlement mechanism is ill equipped to deal with our trade concerns. On several occasions we have asked the Secretary of Agriculture to make assistance available either through section 32 or the Reconciliation Act of 1982. We have had no response to our request.

An annual expenditure of $45 million is necessary to hang onto our market. Other Government programs have recently been developed as an effort to offset our Nation's decline in the export business. None of them have been of value to our industry. For example, the blended credit program, when first announced, was carefully analyzed by our industry and it was to no avail.

The differential, the subsidy that's provided by the European Community is so huge that a modest improvement in interest doesn't even impact the market at all. So, Mr. Chairman, our current cash cost delivered to Europe at roughly $1 a pound would have to be reduced by 60 cents a pound to meet the current Greek subsidized prices. Our prices now can only be reduced by a U.S. program of direct countersubsidies as contemplated by Senator Helms' legislation. I can't help but comment on Senator Helms' question about the impact of the trade war.

I submit, Senator—and you've been in among our farmers—we have dead soldiers in this nontrade war that we are involved in and it's about time we started to shoot some real bullets.

Thank you, sir.

Senator WILSON. Thank you very much, Mr. Light.

Mr. Barserian.

Mr. BARSERIAN. Thank you, Mr. Chairman.

I wish to reiterate Frank's statement, as a joint statement between our two groups in the raisin industry. From the other side, I am also a small raisin farmer, family farmer, of 40 acres. I got into the grape business in 1978, after analyzing the industry for many years, and since 1981 with the entry of Greece into the Common Market, as Frank pointed out, it is very hard for me to see whether I'll still be in business within the next 2 years the way things are going.

My neighbors around me that have been selling their grapes to the California wineries are now being forced to make raisins because these wineries are no longer purchasing their Thompson seedless grapes. So, unless these unfair trade practices are stopped, both on wine imports into this country from the Community and the raisin subsidies from Greece there are going to be many of us, especially the farmers that have come into the business in the last 10 years, that will be bankrupt and out of business.

Thank you, Mr. Chairman.

Senator WILSON. Thank you, Mr. Barserian.

We have Mr. Peterson's formal written statement, and I will be pleased to entertain his oral presentation.[1]

STATEMENT OF RICH PETERSON, CLING PEACH ADVISORY BOARD, SAN FRANCISCO, CALIF.

Mr. PETERSON. Thank you, Mr. Chairman.

I would just like to highlight from my written testimony, beginning with a little background on my organization.

The Cling Peach Advisory Board is a body organized under California law to represent all California producers and marketers of cling peaches. Our fundamental responsibilities are in advertising, promotion, quality control, and research relating to the sale of cling peaches, both domestically and abroad.

As you know, Mr. Chairman, California produces 100 percent of domestic cling peaches, and our total value of finished product for both cling peaches and fruit cocktail is $500 million. Because of limited domestic consumption, significant quantities of canned fruit must be exported. In the 1981–82 year, U.S. cling peach and fruit cocktail exports totaled 4 million cases, which represents a volume of $72 million. This figure includes a 71-percent decline in U.S. exports of cling peaches to the EEC, and a 33-percent decline in exports of fruit cocktail to the EEC.

The dollar value of these losses in exports to the EEC total $8 million.

Because competitors like South Africa and Australia are being similarly displaced by the EEC, competition in third markets has intensified to the point that U.S. total world exports have suffered, dropping in 1981–82 by 32 percent for cling peaches and 15 percent for fruit cocktail. More important than these dollar figures, however, are the human costs involved.

Since the 1982 season, four more processing plants have closed, resulting in the loss of 4,400 jobs, in both seasonal and full-time employees. The total impact of these closures is estimated to be over $68 million in raw product cost, labor, sugar, steel, and packaging materials.

The estimated loss of 4,000 bearing acres of cling peaches will result in not only fewer cling-peach growers this next year but in fewer jobs for the farmworkers involved.

Last year's raw product price to the grower declined due to the decreased demand and will undoubtedly decline again this year. Simultaneously, several of our largest processors are facing continuing unprofitable operations on their canned fruits.

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[1] See p. 230 for the prepared statement of Mr. Peterson.

The U.S. canned fruit industry should not have to bear these burdens. Our farmers and processors are being forced to reduce income so that the profitability of EEC farmers and processors can increase.

We had hoped by challenging the legality of these subsidies through the established international channels that relief would be forthcoming. In 1981, we joined with the California raisin industry to protest the subsidy scheme under section 301. This issue was brought before GATT in early 1982. Although our administration has publicly committed to resolving the GATT action within 1 year, the conclusion of our case does not appear to be imminent.

We applauded section 135 of the Omnibus Reconciliation Act of 1982. A request for interim export assistance was submitted to the Secretary in September 1982, asking that $10 million be provided to help maintain our export markets threatened by EEC action.

Since canned fruit typically is sold on a cash basis, price subsidies, not credit subsidies, are needed for our industry.

The introduction of S. 251 gives us renewed hope of assistance. We believe that the application of a portion of the funds to aid U.S. exports of canned fruit and raisins would be an appropriate and effective use. The canned fruit industry has a clearly identified need caused by the unfair EEC subsidies.

As an industry, we have done all we can do through our 301 case and industry funded subsidy programs of our own, and we feel that subsidies for the canned fruit industry could have an economic impact on the EEC for a modest sum of money.

A U.S. program of countersubsidies constructed to respond to existing EEC subsidies is economically imperative. S. 251 is to be applauded for proposing to take this necessary step.

That concludes my comments, Mr. Chairman. I appreciate the opportunity to appear before you today, and thank you for your continued support of U.S. agriculture.

Senator **Wilson**. Thank you, Mr. Peterson.

Gentlemen, your testimony, while not news to me, I think, is very pointed and is exactly what we need to hear in order to make the record for the need for this direct and very blunt approach. If you were not here earlier this morning, you missed comments by my colleagues, that employed the use of phrases like "trade war," we are engaged in a trade war, as you have pointed out. Members of this committee fully recognize that, at least those who have been in attendance today, and that is a number, notwithstanding the fact that I am alone here now.

I am not alone in determination to see to it that this situation is corrected. I think that a consistent theme throughout these hearings has been the regret on the part of those both at the witness tables and those here at the rostrum that we are compelled to engage in tactics of this kind. We are in effect being compelled to observe the golden rule and be blunt to fight fire with fire. There is not anyone who would not prefer to see a free trade situation, but we have been playing by Marquis of Queensbury rules and have been getting gouged in the eye by the competition.

Some specific questions that I would direct to you.

You have made very proper reference to the frustration that you have experienced in trying to avail yourselves of the administrative remedy under the agreement and I would just ask if there is any late news with respect to that. I recall that in the year 1982 there were to the best of my recollection three separate scheduled panels, none of which ever met.

What explanation have you ever received with respect to the fact that no panel has to my knowledge yet convened? It seems that the delays frankly go far beyond anything that could be excused.

Mr. **Barserian**. Frank?

Mr. **Light**. Senator, I don't think I can give you an offfcial explanation. It's one of the greatest mysteries we've ever had in our business. As a matter of fact, I'm not sure there's a date set for another convening of the board. I can't answer it. It's just that, as you pointed out, we have been put off and put off for so long that you know, the vines keep producing, but this democratic process is killing us. I don't know.

Do you know, Mr. Barserian?

Mr. **Barserian**. No; one of the panel members was called back to South Korea, so that's another delay situation. We really don't know if they will ever come out with a resolution.

Mr. **Peterson**. Mr. Chairman, my understanding is that the panel has met but that they have not reached their conclusions yet. The final report was expected in January and at this time, we have no idea of how long that report would be delayed by the recall of the South Korean panel member.

Senator **Wilson**. Well, it seems that that process is afflicted with a number of the ways and whatever the explanation, as you have observed, the cost is to us and not to those who are profiting from it.

I can't help but observe that the three delays last year, the three failures of the panel to convene allowed the whole process to arrive at a time when California raisins were not permitted to compete for the Christmas markets in Europe, and if I seem unduly suspicious, then so it be.

Those suspicions have not been allayed by the experience of several of my colleagues in Geneva at the ministerial meeting, or by the testimony of Congressman William Thomas this morning, who apparently received a similar reception when recently he spoke to the European parliamentary leaders in Athens on the same subject.

It appears that a blunt approach must be taken, and I will join you in commending the chairman and several of my colleagues for addressing this problem because I think that you are quite correct. All we are asking is an opportunity to compete fairly and have every assurance that, given a fair competition, we will win our share of the market.

I suspect that our confidence is shared by our competitors, which is why we are not being given access.

I was particularly interested in the observation that Mr. Light made with regard to the twin pressures that are being visited upon his industry; that is, that as we have exhibited a great openness to the implication of foreign wines, it is having the effect of diverting production from winemaking into more and more of the production of raisins, at the very time that we are being excluded from a fair competition.

I note that the Greeks are enjoying this advantage.

Have you any information with respect to what has happened to Turkish raisins?

Mr. Light. Senator, as happens so many times in illogical marketing, the Turkish market pricing has been pulled down to the levels of the Greek subsidized prices as well. Recently, Mr. Barserian and I visited the producing areas of Turkey and here is a country that in recent years have been trying desperately to be, I think, fiscally responsible and get them to better balance and avoid subsidies and this whole world market disruption that the Greeks have brought on has frustrated the Turkish attempts to put some sanity into their fiscal policies.

They have been able, because of their—I think marketing prowess, been able to sell their raisins at somewhere near the Greek levels, but the bureaucratic nightmare that the European Community places on the general market strangely enough, has backed up supplies of Greek raisins into—well, I'm getting too detailed. It's—I just can't really—Senator, it would take days to take you through the scenario of how this is just rolled into an unbelievable market disruption.

I would like to go back, too, Senator, Mr. Chairman, and—you talk about playing the game fair: since we filed our 301 action—you know, normally, in our courts, if you bring somebody in for breaking the law, they stop breaking the law, at least while their trial is being held, but in this case, in the 301 action, the violations continue to expand, to cut deeper, almost as if the European Community is ignoring the whole process. It's just a flagrant disregard for the whole system. That's what frustrates us.

Senator Wilson. Well, it would appear, Mr. Light, that they may have been encouraged to do so by American patience, and I think we should send them a very clear, simple message that there is an end to that patience, and that it has been reached; and that we intend to fight fire with fire and we are not going to simply allow the erosion of the foreign markets that once were ours by virtue of their subsidizing, to use a very good example, but by no means the only one we've heard today, 60-percent subsidy.

You indicated that this has all occurred since the entry of Greece into the Common Market and I think that point needs underscoring and it would be interesting to me to contrast what the comparative market allocation was, the market shares enjoyed by California in Greek raisins prior to that time.

Mr. Light. Senator, what's happened here is, for many, many years—and this is traceable back 20 or 30 years—in the world market the Mediterranean countries, Greece and Turkey, did subsidize their farmers, but it was viewed as a reasonable subsidy. They had a differential, a pricing differential that truly reflected the quality of their product versus our product.

If in the world market in the old days if you bought a Greek raisin, you had to send it out to be washed and cleaned and redried, and the price differential between our raisins in the world market and their raisins represented that cost of cleaning; and that then in those days was the extent of the subsidy.

So even though it was subsidized, it reflected some real trade differential. Prior to the Community's radical action in this program, the European Community countries used to consume some 220,000 tons of raisins from many producing countries, including the United States. After this disruption, in 1981, strangely enough, the consumption has dropped almost 180,000 tons, and that's because the people that are involved in the distribution of raisins are afraid to buy them and put them in the inventory because of the radical actions of the Community.

No sensible businessman would invest in an inventory that tomorrow may be undercut by another radical change in some bureaucratic pricing policy of the Community; so the consumption of raisins has actually gone down, not because the consumers don't want to buy them and aren't able to buy them, but it's because the people that market have ruined the marketplace.

Now, as far as our share, our tonnage of sales into those markets, I've mentioned that our growers have come up with some $50 million. What we have done is we've tried to meet that competition by putting our raisins into that market at half our cash price to hang on pending the results of the 301 action. So if you look at the raw statistics, you'd say, well, nothing has happened to our raisin business. But, if you look at the underlying facts, that to hang on to that tonnage, we had to make this $50 million contribution, then you would understand the nuances of our problem.

What I'm trying to report here today, Mr. Chairman, is I think our farmers have run out of their ability to continue to hold this market. We can no longer cope. Then you back the wine problem into it, and you are going to see a lot of bankruptcies in California.

Senator WILSON. Well, the hardship that you have described I think would be understood in all parts of the Nation. We've heard similar testimony all day. I think it comes very much down to understanding the kind of personal tragedy that this means and I think Mr. Barserian's comments focused very sharply on that as did the report of Mr. Peterson that layoffs to date have involved some 4,400 jobs and a total cost of some $68 million.

I think for the record we should expand upon just exactly the kind of people we are talking about.

Mr. Barserian, you said you are a small family raisin grower.

Your cooperative represents what, about 2,000 growers?

Mr. BARSERIAN. Yes; 2,000 growers, whose average acreage is 35 acres.

Senator WILSON. The only other point that I think perhaps needs to be emphasized for the record is that in the case of these crops, specialty crops, and the production of raisins and canned fruit, we are not talking about an opportunity to employ the export PIK device that has been used for such celebrated success in the case of the wheat flour sale to Egypt. We are talking about the need, if we are going to fight fire with fire, for a cash subsidy and I think that was reaffirmed in the testimony from Mr. Peterson.

Mr. LIGHT. That's correct, Senator. We don't have the types of programs in our commodity groups that would make a PIK-type program available to our commodities.

Senator WILSON. Well, I am in hope that we can specifically address the problem faced by the raisin and canned fruit industry with the amendment that I have offered and I thank you gentlemen for being here today and providing the information necessary to make understandable the plight of those who are engaged in that industry in California. I think that you have provided a great service to those whom you represent, and I am grateful to you for that.

Any announcements that need to be made?

[No response.]

Senator WILSON. All right.

We again thank all those who have been witnesses today and, without objection, this hearing will recess.

[Whereupon, at 4:30 p.m., the committee recessed, to reconvene at 9:30 a.m., Friday, February 25, 1983, in room 106, Dirksen Senate Office Building.]

AGRICULTURAL EXPORT TRADE

FRIDAY, FEBRUARY 25, 1983

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 9:40 a.m., in room 106, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Dole, Boschwitz, Jepsen, Wilson, and Melcher.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. The committee will come to order.

Today's meeting of the Committee on Agriculture, Nutrition, and Forestry marks the second and probably the final day of these hearings on agricultural trade.

We are pleased to welcome a very distinguished group of witnesses from both the private and public sectors. You may recall that on February 17, the first day of the hearings on this subject, the Chair stated that our objective in the legislation which we are considering is twofold: First, to restore equity in international marketing by countering other countries' export subsidies and, second, to expand exports of U.S. foreign products. I described as best I could our effort to achieve a work program aimed at reducing export subsidies at the GATT Ministerial Conference in Geneva last November, which was met with objections by the export subsidizing nations.

I am pleased that our witnesses at our hearing last week share these concerns. Now, we do not seek a permanent policy of export subsidies. Far from it. Certainly we do not seek a trade war. But we do seek an opportunity for U.S. farmers to compare on a fair basis with their counterparts overseas; and we intend to stand up for American interests.

So that is the intent of the various pieces of legislation that have been introduced by several Senators, and I intend for markup on these bills to occur at a full committee meeting on Wednesday, March 2, so the comments of those with us today are especially timely.

This morning we will hear from the administration and witnesses called from various other industries, and today we will be working closely with the chairman of the Subcommittee on Foreign Agricultural Policy, Mr. Boschwitz, who is a recognized leader on international trade issues. So we welcome all Senators. Let me see where our witnesses stand. Secretary Block is on his way, so we will ask the distinguished Ambassador, the Deputy U.S. Trade Representative, David MacDonald, and Mark Leland, Assistant Secretary for International Affairs, Department of the Treasury, if they will take a seat.

Senator Melcher, do you have a comment?

Senator MELCHER. No, Mr. Chairman, I have no comments. I am delighted to be involved and will be interested in hearing from the number of witnesses who are on our witness list.

The CHAIRMAN. Senator Jepsen.

STATEMENT OF HON. ROGER W. JEPSEN, A U.S. SENATOR FROM IOWA

Senator JEPSEN. Yes, Mr. Chairman. Thank you.

It is important that this Congress, in coordination with the administration, marshal whatever resources may be available to address quickly and effectively the economic future of American agriculture.

Members of the USDA have devised and implemented the domestic payment-in-kind, or PIK, program. I am hopeful that this will help eat away at the surpluses and reduce production.

We all recognize that more must be done. We must do more to shore up our exporting capability, do more to send our commodities abroad to fill stomachs, rather than fill storage bins here at home.

Secretary Block and members of this committee are all well aware that a $1-million export sale of grain generates more than $5 million of direct, indirect, or induced business activity.

With the product of 1 out of every 3 acres harvested going into export markets, resulting in farm exports exceeding imports by $28 billion, agriculture is the largest positive net contributor to our balance of payments.

It is my feeling that the focus or primary theme of agricultural legislation during the next 2 years must, in one form or another, deal with simultaneously reducing grain production and expanding imports.

We cannot have a situation where our cutback in production is offset by lower export sales. Clearly, this occurrence will result in no net improvement in reducing price depressing surplus stock.

Even if the PIK program is overwhelmingly successful, a domestic payment-in-kind program will not be enough to push the rural economy back into the black.

What is needed now is legislation that will improve our competitive position in world agricultural markets, measures to develop more foreign markets for our depressed grain market.

We need an export PIK in combination with the already announced domestic PIK. However, in any export PIK program, we must look for increasing our grain exports to markets that will continue to buy our surplus commodities. Otherwise, I fear we will be just throwing away our surplus grain for free without any hope for long-term adjustment.

All of us here, of course, relish the thought of an international marketplace where farmer is pitted against farmer. It would hardly be a contest. Tragically, and not just for the U.S. farmer but for the entire world, it is government versus government in international markets. So we must take the necessary steps to protect our farmers' interests.

U.S. agriculture is an international advantage well worth defending. The challenge is to design legislation which will yield maximum benefit output at minimum cost input. Our farmers should expect nothing less than an all-out effort on the part of both the Congress and the administration.

The CHAIRMAN. Senator Dole. We welcome you this morning.

Senator DOLE. I appreciate very much being here and I can't stay very long. I have a confirmation at 10 o'clock. I do want everybody to know that we are supporting your efforts, and we are hoping, Mr. Secretary, for some long-term trade agreements.

The CHAIRMAN. We will pursue that with the Secretary. [Laughter].

I have received for the record a letter from Senator Abdnor and a summary of the Agricultural Export Market Recovery Act, and without objection I will read the letter and summary into the record.

U.S. SENATE,
Washington, D.C., February 24, 1983.

Senator Jesse Helms,
Chairman, Committee on Agriculture, Nutrition and Forestry, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: I regret I will be unable to attend the Committee hearing on agricultural export bills on Friday, February 25. The conflict in my schedule is unresolvable.

I would consider it a personal favor if you would kindly read into the record the attached summary of the Agricultural Export Market Recovery Act.

Sincerely,

JAMES ABDNOR, *U.S. Senator.*

Attachment.

SUMMARY OF MAJOR PROVISIONS OF S. 398, THE AGRICULTURAL EXPORT MARKET RECOVERY ACT

1. The bill recognizes the mutual obligation of farmers and the government to reduce price-depressing surplus grain and cotton stocks. This is achieved by directly linking together farmer participation in the paid land diversion program and the magnitude of the government's export market promotion efforts.
2. The bill would effectively double the Department of Agriculture's highly successful blended-credit program. The Office of Management and Budget has chosen to allocate to the Department of Agriculture only one-half of the funds previously appropriated by the Congress under the Reconciliation Act and the fiscal year 1983 Agriculture Appropriation Act for the direct credit portion of the program—$350 million out of a total of $690 million. The bill requires the Secretary of Agriculture to expand the blended-credit program beyond the previously allocated $350 million in direct proportion to payments made to farmers participating in the paid land diversion program. Government contributions to the blended-credit program are eventually repaid.
3. The bill clarifies the Secretary of Agriculture's authority to use Commodity Credit Corporation stocks in a bonus commodity export program.

The CHAIRMAN. Mr. Secretary, we welcome you, as always. We appreciate your taking time out from your busy schedule. Before you begin, let me say publicly what I have said many times before, that I have never known a Secretary of Agriculture that was more dedicated to the promotion of exports of farm products than you. I know there is an enormous amount of time used in traveling, in conferring, in working and negotiating, toward the goal of expanded agricultural trade. I think the farmers of America are aware of your efforts and appreciate it, as do we.

You may proceed, sir.

STATEMENT OF HON. JOHN R. BLOCK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY DAVID MACDONALD, AMBASSADOR, DEPUTY U.S. TRADE REPRESENTATIVE; AND MARK LELAND, ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF THE TREASURY

Secretary **Block**. Thank you very much, Mr. Chairman. I am going to go through this paper and try to do it rather briskly so we can get at some questions and answers, and I appreciate the opportunity to discuss the legislative proposals and programs to assist in the export of U.S. agriculture.[1] We support useful measures to increase exports in today's difficult international marketing climate for agriculture. We have the authority to implement export promotion programs and have already done so on a selective basis which will make them most effective. We have used our authorities to develop the Egyptian wheat flour sale, for example, and we will continue to take such necessary actions when warranted.

These tools, however, are not applicable to all market situations; they must be developed in a selective manner to meet specific situations where we face subsidized competition. We must insure that we are effectively expanding our demand base and not displacing other U.S. sales of any type or interfering with existing trade flows from other exporting countries that compete fairly in the world marketplace.

In his State of the Union Message, President Reagan made very clear his position on trade. He proposed a broader strategy in the field of international trade that increases the openness of the world trading system and is fairer to America's farmers in the world marketplace. He asked for new authority, new negotiating authority to remove barriers and to get more of our products into foreign markets. However, in seeking a broader strategy, the objective remains one of promoting free trade and increasing the flow of American goods.

Previously, the President has taken significant actions to enhance agricultural trade. He lifted the Soviet grain embargo, and he aggressively sought to restore American agriculture's reputation as a reliable supplier. He explicitly stated that restrictions will not be imposed on farm exports because of rising domestic prices, that farm exports will not be singled out as an instrument of foreign policy and that world markets must be freed of trade barriers and unfair trade practices. More recently, be signed legislation to insure the sanctity of export contracts for U.S. agricultural commodities.

The administration's aim is to preserve and extend the benefits of freer trade. To do this will require resisting protectionist pressures at home while continuing to urge foreign governments to eliminate their more objectionable trade-distorting policies.

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[1] See p. 234 for the prepared statement of Secretary Block.

The practices of some foreign governments pose extremely difficult issues for U.S. trade policy. The European Economic Community now engages in massive subsidized export of agricultural products to dispose of the surpluses created by its high internal price-support program. And I note from some of the charts around the room, they depict this plight.

The United States traditionally seeks to induce other nations to move in the direction of freer trade and away from government inerference, and we will continue to do that. This policy has served this Nation and the agricultural economy very well. U.S. farm exports tripled between 1971 and 1981, creating jobs and many other economic benefits.

However, there is a potential role for carefully targeted measures, explicitly temporary, aimed at convincing other countries to reduce their trade distortions. There are obvious risks that this could lead to a trade war in which everyone will lose. The production from 2 out of every 5 acres planted in this country, is exported and we must preserve the market system which will yield the benefits of our comparative advantage. Protecting an inefficient industry is contrary to free trade and is objectionable protectionist policy. However, a recognition that a government has the obligation to give an efficient industry access to an open market is another story. And that's what we're talking about here in the United States. We intend to fufill our obligation to this Nation's farmers.

The value of our agricultural exports is down, by close to $5 billion in fiscal year 1982 from the record $43.8 billion in fiscal year 1981, with indications of a further decline in the current year. While part of this decline is due to lower prices, export volume for most commodities is also down.

We share with the rest of the U.S. economy the negative effect on exports of the global recession and the strong dollar. But we also face problems that are peculiar to agriculture; our situation is aggravated by record world crops in grain and oilseeds, huge supplies in both importing and exporting countries, and by a number of special problems that affect our competitive position. Not only are U.S. agricultural export totals declining, the U.S. share of the world market also has turned down. This is readily apparent in wheat and feed grains, and some other commodities we see here on the wall.

In the absence of any efforts in the European Community to restrain subsidized exports, we project a decline in our wheat shipments in the neighborhood of 7 million tons for 1982-83, while those of our competitors are projected to increase by about 6 million tons.

World production and consumption of feed grains has also been increasing. However, production has been increasing faster than consumption for the past 2 years, and the level of world trade has dropped.

This has brought a decline in U.S. feed grain exports, as might be expected, from 72.4 million tons in 1980-81 to a projected 55.9 million tons this year. We are losing not only because of slack demand; we are losing to competition. The increase in shipments held by other suppliers explains some of the U.S. decline in feed grain exports. The rest comes primarily from the drop in demand, particularly from the U.S.S.R. and Eastern Europe.

We are concerned also about the drop in exports for numerous other commodities, including cotton, soybean meal and oil, rice and poultry. Moreover, our share of the world cotton market, for example, fell from 40 to just over 30 percent from 1980 to 1982. Our meal and oil share went from 40 to 30 percent in 3 years and our broiler share is down by one-third. There are many reasons for these export losses: worldwide recession; the strong dollar overseas; increased use of subsidies by competitor nations; and the continuing effect of the 1980 embargo on sales to the Soviet Union. I'm not going to reiterate on that. I think we've been through that many times.

We are streamlining and adapting the tools provided under all of our existing authorities to make them more effective and to reverse the decline. We have taken new initiatives and are studying others to bolster U.S. agriculture's competitive ability.

We are especially interested in the results from the new ways in which we are using export credit, particularly the blended credit program.

This program was developed primarily to compete with foreign subsidies and to penetrate markets in those developing countries which, as a group, were a leading growth market until the credit crunch sharply reduced their ability to buy. We felt blended credit would be an effective tool, No. 1, to meet subsidized competition and, No. 2, to facilitate financing by these importing countries. This blended credit program uses Commodity Credit Corporation GSM-5 direct credit in conjunction with commercial export credit guarantees.

We wanted to generate immediate sales of U.S. agricultural products that would not otherwise have been made and, for the longer run, to lay the groundwork for continuing U.S. sales when economic conditions improve.

The blended credit program was announced last October 20 at $1.5 billion over 3 years. One hundred million in direct, interest-free Government credit was to be blended with $400 million in credit guarantees during fiscal 1983, with like amounts scheduled for each of the next two fiscal years.

The response from foreign governments in importing nations was immediate and enthusiastic. The money was used almost immediately as you are aware of, Mr. Chairman.

President Reagan followed up this success story on January 11 allocating $250 million more in interest-free credit to be blended with $1 billion in credit guarantees to finance at least $1.25 billion in additional blended credit export sales during fiscal 1983. One month after the announcement, the first credits were approved under the new program, for the sale of corn, rice, soybeans, and lumber to Jamaica.

The first $500 million of blended credit was allocated to eight countries. These included Morocco where, with blended credit and straight credit guarantees at that time. My formal statement has more of an expansion on this.

We have also completed a supply agreement with Mexico, which I signed last week. I was in Mexico. I personally met and talked with the Minister and Secretary of Commerce and the Secretary of Agriculture, and as I say, Mexico is quite pleased with this effort to help them through their difficult time and also help make food available to them.

This aggressive use of credit in new ways and with existing programs is important beyond the increase in export totals that have been generated. We are achieving the objective of market penetration in the face of competitor export subsidies and helping our exporters into markets that, while currently suffering some financial constraints, offer good growth potential as conditions improve.

To meet our needs in this effort, the authorization for GSM-102 program in fiscal year 1983 has been increased to $4.8 billion. We continue, of course, to use Public Law 480 to support market expansion, and we made a special effort this fiscal year to speed up the programing of Public Law 480, titles I and III. As a result, agreements signed during the first quarter of fiscal 1983 totaled $391 million, representing 50 percent of total dollar allocations for the year. This is well above the 10-year average for this period and exceeds the dollar amount and the percentage signed for any of the 10 years.

In our budget request for fiscal 1984, we have asked for an increase of $13 million in the title I and III sales over fiscal year 1983 to $872 million. This level of funding will provide long-term financing for about 3.7 million metric tons of commodity exports.

The committee is familiar with our efforts to negotiate an end to the use of subsidies by the European Community—subsidies that undercut market prices, erode the U.S. share of traditional markets, and absorb growth that would have gone to U.S. producers. And I compliment the chairman and I compliment other members of the committee that helped make certain that the European Community knows that we have joined together in this country to work toward freer trade. I know the chairman was over at the GATT Conference, others were over there, others have traveled in Europe. We appreciate your efforts to work together in trying to resolve the problem, because they are really of severe concern to all of us.

We have met with the community three times since the GATT Ministerial last November to come to grips with the issue of agricultural export subsidies. A bilateral report on the status of these consultations is due in March, Mr. Chairman. While we are not necessarily confident that we can negotiate a satisfactory solution with the EC very soon, we will continue to make every effort to do so at the same time continuing policies that help us remain competitive.

This administration is committed to resolving this issue by negotiation, but meanwhile it is imperative, and only fair, that we do all that we can to defend our markets.

I have described our major efforts in this regard, blended credit, credit guarantees, and others, and I am pleased with their results. The recent arrangement for the sale of 1 million tons of U.S. wheat flour to Egypt is one type of effort, and it is working out very well. This was a limited, selective action intended to make U.S. wheat flour competitive in price in the face of export subsidies of other nations.

In the past few years, the Egyptian market for flour imports has been dominated by the European Community through its use of export subsidies. In January, we worked out an arrangement with the Egyptians that allow us to capture that market through the creative use of CCC credit guarantees and competitive pricing.

As I said, the Egyptian flour sale is one type of payment-in-kind arrangement, in this case providing for a payment of CCC-owned wheat to flour millers to enable them to mill and export flour at a competitive export pirce which otherwise would not be possible. There are other types of possible export RIK arrangements that can be utilized.

The Egyptian flour sale was possible under authorities of the Commodity Credit Corporation Charter Act, and we obviously could use those authorities again. Indeed, we will use them again when we feel it is warranted.

We have made considerable use of existing authorities in ways that will increase our agricultural exports, especially in those areas where we face subsidized competition. We view some of these uses as only temporary, but we will continue to use them as necessary, and in each action we plan to meet the following criteria:

Selectivity. We are going to be selective in the market we talk about;

Additionally. We expect additional when we move into a market;

Noninterference. We do not intend to interfere with commercial sales;

Demand Expansion. We look to the market where we can look for demand for our products in later years, and not a one-shot fix.

International Rules. We intend to live by international trade rules.

In summary, Mr. Chairman, we have and will continue as necessary to use our existing authorities in innovative ways to meet the competition and help maintain market share.

Our hope is that other countries will realize that we will not stand idly by when we lose markets because of unfair competition or trade restrictions. And when they understand this, and recognize that all could be losers in this type of competition, we would hope that we could move to freer trade and relieve the United States from the burden of making virtually all the stocks and production adjustments necessary to meet the changing conditions of a world agricultural economy.

Mr. Chairman, I am very pleased to have my good friend and very able Ambassador David Macdonald on my right and also Mr. Mark Leland of the Treasury Department here on my left. We have done a lot of work together to promote exports and in support of the agricultural interests of this country.

Thank you, sir.

The CHAIRMAN. Thank you, Mr. Secretary.

The chairman would observe that, when you spoke of the efforts of Ambassador Macdonald in promoting exports, it reminded me of the GATT Ministerial Conference in Geneva. It struck me as odd that those negotiations would be in a country, the only country, as I understand it, and he told me this, that has written into its constitution, a form of subsidies. He is nodding his head, saying it is correct. But I suspect one country didn't want to export dairy products; the real reason they wanted to keep the dairy farmers going was so they have a lot of cows on the green hillside for the tourists to see. [Laughter.]

Mr. Secretary, we are glad to have you.

Mr. MACDONALD. Thank you, Mr. Chairman. We support the statement of Secretary Block and we are prepared to answer any questions you and the committee may have.

The CHAIRMAN. Very well.

Mr. Leland.

Mr. LELAND. Thank you, Mr. Chairman.

I have a short prepared statement which I will submit for the record.[1] We fully support the statements of Secretary Block. My statement gives major economic aspects.

The CHAIRMAN. Thank you, sir.

Since we do have a long list of witnesses today, the Chair suggests that we keep to 10 minutes per Senator.

My first question would go to you, Ambassador Macdonald.

Will you tell the committee, for the record, the decision of the GATT Panel on section 301 wheat, what precedent was set for other occasions, and does it mean that the committee should respond with stronger action?

Mr. MACDONALD. Yesterday, we received a preliminary summary of the Panel's conclusions of law in the wheat flour case, a case in which we have been waiting for the decision for more than 8 months. From a GATT procedural standpoint, this decision was delivered to the two parties, the United States and the European Community, and remains in the parties' hands on a confidential basis for the purpose of each of them coming back to the Panel with the criticisms that they may have with the Panel decision.

That decision, whether it is or is not changed, will become public on March 18 of this year. This committee in entitled to know what the substance and the thrust of that Panel decision is and if it wants to look at the decision at some later time, we will be glad to make it available to members of the committee.

The thrust of the opinion is that although the Panel is in favor of about 85 percent of the United States factual position, the Panel concluded that it could not find that the European Community had taken more than an equitable share of the world market in wheat flour, which is a critical legal conclusion. The Panel went on to say that it was very difficult to define exactly what an equitable share of any market was, particularly in wheat flour, by reason of special developments and other special factors.

I have two points to make about that if I may.

I assume we are going to conclude, I think, that this Panel decision introduces the law of the jungle in agricultural export subsidies, and we will consider it on an interagency basis and will approach the Panel on it, I am sure.

The important thing, in our view, is that we have got four more decisions coming down the pike. This is the first one.

To say the lest, it does not place much discipline on agricultural export subsidies. We are prepared to go either way. If the Panel decisions following this one are going to say that there is no discipline, we are prepared to subsidize. We are prepared to defend U.S. agriculture on that basis.

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[1] See p. 242 for the prepared statement of Mr. Leland.

On the other hand, if this Panel should change its mind and decide that the GATT should be a more meaningful instrument of dispute settlement and that countries should be reined in when they are admittedly increasing their market share considerably over the period under consideration while U.S. exports are decreasing, and that that should be counteracted by a penalty as opposed to other type action, then we are prepared to live up to that, and increase discipline and enforce our rights within the mechnanisms provided by the GATT.

At the present time, I am not quite sure where on that spectrum we are going to be, but I do want to assure you, Mr. Chairman, and the committee, that in either case, we are prepared to defend U.S. agricultural interests.

The CHAIRMAN. Secretary Block, anything to add?

Secretary BLOCK. No, sir. I agree with what the Ambassador says.

The CHAIRMAN. Mr. Secretary, last year, in the Budget Reconciliation Act, the Congress mandated $175 to $190 million be spent for export assistance, as you mentioned in your statement. Of that amount, $100 million was spent in the original blended credit program.

Now, my intent in that legislation was for the remaining $75 to $90 million to be used in addition to other export assistance. However, I understand now that OMB is interpreting that there are no funds remaining because of the spending for other export programs. What is your understanding of the status of these funds.

Secretary BLOCK. My understanding of the status of the funds is that $100 million has been used and the rest of the money is pending a decision, of the proper handling and the utilization of the remaining funds.

The CHAIRMAN. Let's talk about dairy products just for a minute. Is it possible for us to sell dairy products overseas without significantly lowering the world prices; and, if not, how much product do you estimate that we can sell without causing the world price to fall below the GATT minimum now?

Secretary BLOCK. I could not be precise on that, Mr. Chairman, but is is my opinion that we could sell certain quantitites if the quantities did flow into markets without lowering the price significantly. It depends on how much we were to sell; it depends whether it is sold in a systematic manner and not a large amount sold all at once.

Now, to give you an example, when we sold dairy products to Brazil, which didn't meet with everyone's approval necessarily, but at any rate, it was sold to Brazil, and then it was fed into the world market. And I don't feel that it affected the world market price.

The CHAIRMAN. I think the indication by both you and Ambassador Macdonald was that you don't intend to do anything inconsistent with our international obligations under GATT.

Do you see any problem with dairy sales in that regard?

Secretary BLOCK. No, sir, as long as we were selling dairy products at competitive world prices. I would yield to Mr. Macdonald.

Mr. MACDONALD. We are in a changing area of the law that might remain unsettled. I would say that we think that the sale would not concern any violation of our obligations under GATT, even though it is subsidized.

The CHAIRMAN. Last week we heard testimony that Brazil is a regular user of export subsidies to the detriment of the United States. At the same time, the United States and other countries are providing Brazil large infusions of money through the IMF.

What assurances can we have that United States money given to other countries is not turned around and used against U.S. farmers?

Mr. LELAND. Mr. Chairman, this is a concern, as you well know. Brazil, along with many others such as Mexico, has many export subsidies which we have discussed. In Brazil's case, for example, one of their big problems under this situation was the high value of their currency and therefore to sell their commodities, they had to subsidize their exports. Brazil has recently devalued its currency by 30 percent. Further, in the IMF program, there are targets for reducing their budget deficit they will have to meet, and among the ways they have to reduce this would be a reduction in export subsidies. And we are pushing that. It is a more effective way of meeting their targets, because in the end they are forced to sell more by using export subsidies.

The CHAIRMAN. Well, my time is up. One of the arguments that you can use with Brazil is that there is a growing predisposition I am hearing in the Congress that these subsidizing countries should not be eligible for most-favored-nation status. I don't mean to overstate that, but I do want to indicate the sentiment that I am hearing more and more in the Senate, and from my brothers in the House.

Senator Melcher.

Senator MELCHER. Thank you, Mr. Chairman.

Mr. Secretary, the recent sales of flour to Egypt was quite welcome. It was good news for wheat producers. I would like to be sure that that sale can be followed by more, and that there will be no hitches in that particular sale.

I understand that the Department asked for bids from millers on such a sale and that the Department's responsibility would be to furnish other CCC stocks of wheat, which was the reason that enabled the miller to secure the sale and export the flour.

Under what authority do you first of all——

Secretary BLOCK. Under the broad authority that we have for our utilizing Corporation funds. I don't have the specifics——

Senator MELCHER. Charter Act?

Secretary BLOCK. Charter Act, yes, sir.

Senator MELCHER. Are there any hitches likely to develop? Or do you have to ask them to submit a bid? Are such requests for bids subject to the Administrative Procedures Act?

Secretary BLOCK. I can't go into the details. Our General Counsel has fully reviewed it and has given me advice that's entirely within the statutes—of the Charter Act.

Senator MELCHER. I'd just like to be clear on this point if there are any legal questions that hamper the future sales of this type.

In regard to the blended credit program that we have in place now, are we still working on the $250 million that the President announced earlier this year would be interest-free credit or credit guarantees?

Secretary **Block**. Yes, sir. We have announced some of the sales as a result of that $250 million of direct credit. We have others also that are in the works. More than two-thirds of those sales are virtually processed, some need just a little bit more to be done before they are announced. But the program has been very, very effective; and it has been very well received by the countries that we have been working with.

Senator **Melcher**. I am not clear on this. What funding is providing the direct credit or the interest-free credit?

Secretary **Block**. The CCC extends direct credit in the amount of $250 million, and guarantees up to $1 billion in additional credit.

Senator **Melcher**. Is that $250 million out of CCC funds?

Secretary **Block**. Yes, sir.

Senator **Melcher**. It is all out of CCC funds?

Secretary **Block**. Yes, sir.

Senator **Melcher**. All right.

Then part of it went to Jamaica?

Secretary **Block**. The first one to be announced from the $250 million goes to Jamaica.

Senator **Melcher**. And was it in wheat sale and blended credit, too?

Secretary **Block**. No, sir. Blended credit is not used by us.

Senator **Melcher**. Then what would the credit arrangements be?

Secretary **Block**. It is a CCC guarantee.

Senator **Melcher**. Just a straight guarantee?

Secretary **Block**. Yes, sir.

Senator **Melcher**. That's the only difference?

Secretary **Block**. Yes, sir.

Senator **Melcher**. What are the terms of the loans? How many years do they get?

Secretary **Block**. It's 2 years, sir.

Senator **Melcher**. And then we guarantee them?

Secretary **Block**. Yes, sir.

Senator **Melcher**. Does the Department have a responsibility to assess whether or not the loans are actually being paid on time?

Secretary **Block**. Yes, sir.

Senator **Melcher**. What is that assessment in the case of Egypt?

Secretary **Block**. Our assessment is that they will be able to pay it.

Senator **Melcher**. On time?

Secretary **Block**. Yes, sir.

Senator **Melcher**. And the same with the others?

Secretary **Block**. Yes, sir.

Senator **Melcher**. What is the procedure?

Mr. **Leland**. The Agriculture Department first makes its own determination and then the NAC (the National Advisory Council) reviews what they think the situation in the country might be.

Senator **Melcher**. Thank you.

Now, Mr. Secretary, please send me something that describes this sale under the authority of the Charter Act. Also on the question of asking for bids, would you show me how that would satisfy the Administrative Procedures Act?

Secretary **Block**. I will get that information for you.

[The following information was subsequently submitted by Secretary Block:]

Compliance With APA in Connection With Wheat Flour Sale to Egypt

On January 17 of this year the Commodity Credit Corporation (CCC) entered into a Memorandum of Understanding with the General Authority for Supply Commodities, Egypt (GASC), for the purchase by GASC of one million tons of U.S. wheat flour from private exporters. In the view of the Department's Office of the General Counsel, the procedures under which CCC entered into and is now carrying out the understanding are fully consistent with the provisions of the Administrative Procedure Act (5 U.S.C. 551, et seq.).

The understanding between CCC and GASC is an international agreement. Therefore, it is exempt from the rulemaking requirements of the Administrative Procedure Act as a matter involving a foreign affairs function of the government (5 U.S.C. 553(a)(1)). The CCC has chosen to implement the understanding through contracts with U.S. flour exporters. These contracts are being awarded on a competitive bid basis and in accordance with established CCC contracting practices. On February 8 a notice was published in the Federal Register describing CCC's implementation plan and bid solicitations under the plan are being widely advertised. There is no requirement in the Administrative Procedure Act for informal rulemaking in connection with the solicitation and award of these contracts.

Senator **Melcher**. Thank you very much, Mr. Secretary.

The **Chairman**. Senator Jepsen.

Senator **Jepsen**. Thank you, Mr. Chairman.

Ambassador Macdonald, I understand and maybe it's correctly or incorrectly, numerous national federations which have testified in the Panel made the following admission. It was filed as a complaint in 1975, that they received information that the GATT Council against that position the EC had unfairly assessed exports. They weren't able to get any information on that from your office. Are you aware of that?

Mr. **Macdonald**. Senator Jepsen. I myself received this decision yesterday at 11 o'clock yesterday morning.

We really should not release this decision outside the Government at this time. I didn't feel like, after I talked to him, that he had a right to have it.

Senator **Jepsen**. In other words, you physically did not have this until yesterday.

Are you now saying you will provide details to the———

Mr. **Macdonald**. I think we can provide them with a summary of what has transpired and consult with them.

Senator **Jepsen**. Well, I just assume if there is a hesitancy to give the people involved in this from our American private sector the details of something that affects them dramatically, from any Government office, yours or anyone else's, this is certainly not in concert or harmony with this administration's change in direction that we are undergoing. So I would hope that isn't the case and that they will be given total and complete details of areas and things and facts that affect their very livelihood.

Mr. **Macdonald**. I agree with that sentiment, Senator.

Senator **Jepsen**. Now, Mr. Ambassador, as you know, the Domestic International Sales Corp. is a valuable tool for agricultural exporters. Yet, it has been challenged by the European Community.

Is the administration considering eliminating this as a concession to the bilateral consultations with EC?

Mr. MACDONALD. Senator, it has not only been challenged by the European Community, but the U.S. Government in 1979 agreed in writing with the European Community that the Domestic International Sales Corp. was inconsistent with the GATT. Although this put us in a weaker defensive position, we tried to argue in support of our DISC before the GATT Council. I myself appeared before the GATT Council and argued lengthily at two successive sessions in Geneva. My feeling after going through that experience was that the threat of retaliation and the prior admission of guilt by the previous administration was such that we were not going to be able to turn the case around. Moreover, I felt that there was a revenue neutral substitute that we could replace the DISC with and we therefore began to work with the Treasury Department.

The Treasury Department has come up with a preliminary draft for interagency review. We have called upon different business groups and are working with them, the Treasury Department, and agricultural exporters on this issue. However, let me assure you that we are not about to get rid of the DISC. Rather, we will replace it with a device that will be GATT consistent so that we are not subject to the kind of criticism we have seen over the past few years.

Senator JEPSEN. Is that what you would consider we are getting in as a quid pro quo or a form of it in return for this concession? Do you feel we are getting anything in return from the European Community?

First of all, I got an idea last week of some of the things you have to deal with. The trade representative from France, Mr. Jobert, as you sell remember, gave us quite a speech. The speech which was rather pointed and needless to say sharp but not very complimentary of our trade people and country.

Mr. MACDONALD. We were glad that you were present at those meetings, Senator, both for your articulateness and just to listen to the essence of Jobert's position that was presented on that occasion.

Senator JEPSEN. Well, in other words, the negotiations—we are talking about all these things, and I think everybody should understand: the European Community is a tough negotiator and they don't even start maybe from the same set of blocks with some of their opinions—not all countries—but I mean some of the key ones.

But I was just wanting to explore whether we were getting any concessions in return for considering relaxing or eliminating the DISC program because our agricultural exporters need all the help, cooperation, and so on that they can get from our Government. Certainly our competitors around the world get the hand-in-glove cooperation from their governments for the most part.

Mr. MACDONALD. The cost of having admitted the illegality of a particular statute was very high. I would say as a result, we are not in a position to get anything for it. On the other hand, when that kind of an admission is made, the result is that the other side then goes in to the GATT Council and asks for authorization to withdraw tariff concessions that they have given to the United States unilaterally and without compensation. If the statute isn't changed, I expect the European Community will seek compensation. I might add that there is sympathy for the EC position on this matter among GATT members since the EC invited all the other delegations to come over and look at the written document in which the United States had agreed that the DISC was illegal. As a result, we felt that it was better to resolve the issue, particularly since we felt that we could do so without injuring our exporters in anyway. And now that's where we wanted to be on this wheat flour case. But that's not where we are on the wheat flour case. What we find ourselves with on the wheat flour case is sort of an abdication of responsibility by the GATT Panel in this area of agriculture.

Senator **Jepsen**. I thank you, Mr. Ambassador.

Mr. Secretary, the primary impetus behind the payment-in-kind program is to reduce our surplus by a payment in kind and by taking land out of prodcution to significantly reduce the 1983 grain production.

Does this say anything? The necessity for doing this, does this say anything or have any relationship to the farmer loan reserve program, which is supposed to isolate grain surpluses from the market, thereby enchancing prices—as the land set-aside and pay diversion programs of the past have—have they worked, or just generally what is your comment on this? How do these two fit?

Secretary **Block**. Senator, I think as you look back over the history of farm programs, we have tried many different means of trying to bring down production when we have overproduction and trying to store the grain and offer incentives for storage, and the farmer-owned grain reserve, the objective was to put some grain aside, of course, so we would have it there when we needed it, yet it would be isolated from the market. It is my own opinion that if the grain is there it is really never islolated from the market. It may be but it never really is, because the fact that it is there, the trade knows it is there, every one knows it is there and they know it is going to come on the market eventually. I don't really feel the farmer-owned grain reserve is especially effective in a effort to be islolated in the market and to enhance price during times when we have plenty.

The diversion programs and acreage reduction programs—I feel that when you have a program that is probably targeting a small number of acres, reduce production by a small amount, you are going to have to have more acres than you think every time because as a farmer myself and you're a farmer, you know that we are going to do a better job on that other land, the other land that we keep in production is going to be the best land; and it is going to be really difficult to get the cut in production.

The payment-in-kind program this year, I view it as a different approach. We have a more critical need for a different approach, a more aggressive approach. But we are going to have some success with this if we get to sign up and producers stay in the program, because we are looking toward taking more acres out, not just 10 percent or thereabouts; we are going to be going deeper into these farms, and when you go deeper, you are going to get some of the really good land. We need to get some of the real good land and not just the margin stuff which comes out first, and I'm not quarreling with that, because a lot of times it is a good thing to take that marginal land out if you can put it in a soil conserving use, it is protected from erosion; that is the proper land to take out. But my point is if we really want to succeed in getting adjustment, you have to get some of the good land. And I think this program will cause that to happen.

Furthermore, if we are positioned where we can take some of these whole-base bids, that means we will be taking some entire farms out of production, and that will also really tend to get some of the good land.

Senator JEPSEN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Jepsen.

Our ever alert staff pointed out to me that when I want inserting perhaps an irrelevant comment about Switzerland's Constitution I didn't specify who gave me that information. So let the record show that Leo Mayer, who is here, Associate Administrator of the Foreign Agricultural Service, USDA, was my source of that wisdom.

Senator Boschwitz, the distinguished chairman of the subcommittee, very nice of you to come.

Senator BOSCHWITZ. Thank you very much, Mr. Chairman. We have really made it into the big time with agriculture when you have a room of this size rather than our room back in the Russell Building. Is this going to be our new, permanent quarters?

The CHAIRMAN. We took it over by force this morning. [Laughter.]

Senator BOSCHWITZ. I'd like to question the Secretary and the trade negotiator about cargo preference and how it applies to the wheat sale that we made to Egypt and what impact it will have on that sale and then explore just a little bit of what impact it will have on any type of an export PIK program that we might adopt and also in the blended credit program that we have.

So I would like to ask any one of our witnesses whether or not the requirement of cargo preference has applied to the wheat flour that we have sold to Egypt.

Secretary BLOCK. In the case of the wheat flour to Egypt, the decision to require that 50 percent of the wheat flour sold be carried by U.S. flag vessels was made by the President. It did not extend beyond this specific decision; in fact, his statement says, the unique circumstances surrounding our competitive sale to Egypt of wheat flour provided an opportunity to insure that the U.S. merchant fleet would remain a vital force in shipping the products that U.S. farmers grow for the world market. It is viewed as a specific and unique circumstance and that is the way the President stated it.

Senator BOSCHWITZ. What was so unique about the circumstances of this sale as to require a cargo preference——

Secretary BLOCK. Well, it's the first one of its kind and it is a unique sale.

Senator BOSCHWITZ. I agree that it's unique.

You seem to have indicated that the ruling was limited to this sale, but now you seem to be saying that while this sale was unique, it is now trade experience. I suppose, that there may be future sales of this type. It is a PIK type of sale. Does that mean that in the future, PIK types of exports will be subjected to this?

Secretary Block. First of all, I cannot predict if and when there will be future sales. Secondly, the decision on shipment will be made by the President at the time if there is another sale, and I can't predict what that decision will be at this point.

Senator Boschwitz. What is going to be the cost to the American taxpayer of cargo preference requirements applying to this sale?

Secretary Block. It's about $40 million and it is about twice what it would cost if it were shipped in foreign bottoms. I think that's right.

Senator Boschwitz. The ocean freight differential is about $60 a ton as I understand it, which you say $40 million; this is a million dollars. This is a million tons, a million——

Secretary Block. About $30 million. I stand corrected on that.

Senator Boschwitz. There are about 40 bushels of wheat per ton and about 50 bushels of wheat per ton of wheat flour. That means there are 50 million bushels in this sale, half of them would be subject to the cargo preference requirement of more than a dollar a bushel is what you're saying. The total penalty for using cargo preference would be in the neighborhood of $30 million.

Secretary Block. That's what it cost us. Precisely what I said.

Senator Boschwitz. In the event that the President or others decide that legally we are required to use cargo preference on future PIK sales or blended credit sales, what would it do to that program, in your judgment?

Secretary Block. All right. If it's on future sales of payment-in-kind sales which I put in a different category from the blended credit. If it's on the future sales of payment in kind, the fact is it means it costs us that amount, whatever it is, in this case, as we just discussed. If it is in the case of blended credit, that is a different story because the sucess of the blended credit seldom hinges on the ability to buy that interest rate down a little bit in order to make us competitive with other countries. And it is hard for me to see how we would manage this unless the Government, this administration just decided to pay a direct subsidy to those companies that are shipping the products for blended credit. I think there would have to be more of a direct decision in that case. It is different and separate in my opinion, Senator.

Senator Boschwitz. There was a shipment of bag wheat flour that went to Egypt last year, last March, in which there was $1.28 additional cost per bushel or there would have been in the event that there was a U.S. flag vessel required. The cost would have been $108 a long ton as opposed to $42.50 a long ton, or $1.28 a bushel. In the event that there was such a requirement on a blended credit the result is really a rather small advantage that you are trying to create through that blended credit system as you have indicated.

The requirement of using American vessels would effectively undermine, or undo the blended credit.

Secretary Block. Without some very ingenious means of satisfying that cost, you could not pursue the blended credit program.

Senator Boschwitz. And it is fair to say that it would make the PIK program very costly in addition.

Secretary **Block**. It would cost whatever amount we are talking about.

Senator **Boschwitz**. I understand there is a question of whether or not the USDA owns enough wheat to meet the 50-percent shipping requirement in the event that a U.S. flat is used, U.S. bottoms, as will occur in the shipment to Egypt.

There is a question of whether or not you have in your possession enough wheat to meet the requirement.

Secretary **Block**. We are very close on that. We feel we have just about enough. I mean, we think we may well have enough. It is very close.

Senator **Boschwitz**. Well, Mr. Secretary, we have before us on the floor a shipping bill and I may well introduce an amendment to remove the requirement for cargo preference with respect to this sale. It's not clear in my mind yet whether or not I will expand that amendment to include all PIK or blended credit sales, or if I will apply it only to this particular transaction, but it is a dramatic instance of what the cost of such shipments are—well over double the cost of the world market price on shipping wheat flour or wheat. For that matter, in order to use U.S. bottoms it is a real question of whether or not we are helping the U.S. merchant fleet which I would like to do. I have in mind that during the Vietnamese war we had a difficult time getting U.S. merchant ships, but, boy, some of the old tubs that are used in shipping wheat and wheat flour around really are not worth preserving and one could not make the intelligent argument that this is the U.S. merchant marine that we are trying to serve or underwrite. So I ask that line of questions both for the purpose of getting your reaction, Mr. Secretary, and also of saying that I am going to introduce an amendment of that kind. I presume it would be helpful in the blended credit program and also be helpful to save about $30 million, at least, or perhaps even more, on this one particular sale to Egypt.

So am I right in assuming that it would be helpful?

Secretary **Block**. Senator, inasmuch as the President has made this statement and this decision and taken this position, certainly the administration would oppose the bill, at least as it would apply to this wheat flour sale to Egypt.

Beyond that, as it might apply to blended credit or other sales, we have not talked about it; and we have taken no position on it.

Senator **Boschwitz**. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

The **Chairman**. Thank you, Senator.

Senator Wilson, you are the newest member of the committee, and we welcome you again.

Senator **Wilson**. Thank you, Mr. Chairman.

On page 4, the submitted statement by Secretary Leland, he has indicated that we should not be unduly encouraged by efforts being made by the administration to try to seek from the other members of GATT some international rules dealing with practices which as he notes, are much weaker for export regulation of competition for agricultural markets than those for industrial products. And I would agree; in fact, suggest you may have understated the case when you said the process of improving international discipline is painfully slow.

The progress has been more than painfully slow. I think the chairman's experience in that and those who accompanied him to Geneva was that they were sloughed off by some of our trading partners, and that is precisely why there has been some rather bellicose testimony and response as well from the rostrum.

Since this legislation has occupied the first priority with the committee and I think properly so. Given that fact, I would first ask Assistant Secretary Leland if he could give us some kind of progress report on those efforts and then I have a question of Secretary Block.

Mr. LELAND. Thank you, Senator.

Well, I think, first, as the chairman knows because he was at the GATT, it has been a very difficult forum in which to deal with the agricultural issue. There is a whole historical element regarding agriculture in the GATT. It has been very useful in other areas. I think there have been a lot of quid pro quo's——

There have been a lot of quid pro quo's that we have gotten in the industrial area, but in agriculture, the GATT is acknowledgely weak. On the other hand, it is not the only forum in which we are working. I think we are trying to work within the GATT. I think Ambassador Macdonald earlier referred to the fact that we have made it very clear to the world and to the GATT that if we can strengthen the rules and if we can get somewhere on the rules we are certainly prepared to go in that direction. And I think it is the direction we prefer to go in. I know it is the direction we prefer to go in.

On the other hand, we have also made it clear that we are not going to just sit back and let there be no rules and let ourselves be the only ones following what are correct practices.

Now, on the other hand, we do have bilateral discussions. I am sure the Secretary and the Ambassador can refer to bilateral negotiations with many of the key countries that we are talking about, certainly with the European Community, to try to deal with these issues. These talks have gotten increasingly serious. I was with Secretary Block and five members of the Cabinet who went to Brussels in December and met with the senior members of the Community, and these have led to further discussions to try to get somehwere on these issues with the Community.

Likewise, on dealing, as the chairman asked earlier, with the developing countries on which we often have these problems, in all of our bilateral discussions and negotiations, the issue is coming up and our intent is to do something about it. We would prefer and hope that the GATT can be and should be a useful forum for doing something but we are not going to simply rely on the GATT for doing it.

Senator WILSON. Thank you, Mr. Leland. I think that really sets properly the framework for testimony that we heard from the Ambassador and Secretary Block. I don't think we can be very patient. In that connection, the summary of Secretary Block's testimony, preceded by repitition of the criteria that he thought should be applicable to the efforts we are making to try to regain some equity for American agriculture in terms of access to foreign markets; and it is on those criteria that I would like to spend a moment.

By and large, I think they are reasonable, they reflect the fundamental premise common to the administration and I think that the members of this committee really do not want to engage in protectionism; that we hope that these are temporary expedients that will—I think I am roughly quoting Mr. Leland, indicate that the escalation in these practices is so expensive to both sides it should be discontinued.

And I hope that that is the result and I hope it is promptly forthcoming, but I also would have to say that as a matter of tactics, I don't think that we should be so unwilling to engage in them that, from the standpoint of playing poker, we indicate we are not going to sustain the practice as long as it is necessary to win.

Looking at those criteria, I have got some specific questions for Secretary Block.

Among the criteria that you have listed on page 11 of your testimony, one is noninterference with existing trade flows from other exporting countries that compete fairly in the world marketplace; that is, those who do not use export subsidies. It would not cut into their normal trade. An example that occurred to me just by chance, since it relates to the amendment that I am offering to the chairman's bill, we have raisins competing for European markets, from Greece, from Turkey, from California. Those from Greece, a member of the Community, are receiving almost a 60-percent subsidy. We are seeking to compete with that by providing a subsidy ourselves. My concern is, how does the application of noninterference criterion affect that situation as it relates to Turks who are not receiving a 60-percent European Economic Community subsidy. It would seem to me that as we attempt to engage in a countersubsidy with that being offered to the Greeks, we may very well affect the Turks.

Secretary BLOCK. I hope I am sorting this out properly, but—what you're talking about is a subsidy that is provided there by the Greeks to penetrate or, to in effect be able to compete in the markets in the Community; right?

Senator WILSON. Yes.

Secretary BLOCK. And you are wondering how that would apply to this noninterference criteria that we have set out here, noninterference and as we pointed out it would not interfere with existing trade flows from other exporting countries that compete fairly in the world marketplace, but what does this mean—it looks to me like—I would assume it should be probably better analyzed, but this issue has been brought to my attention; we have talked about it; I know there is a grave concern on your part and others in the industry, that it looks like there is an export subsidy here and clearly it doesn't look to me like it's fair competition.

Senator WILSON. My point, Mr. Secretary, is that I think that we have a situation where Turkish raisins are competing with California raisins for European markets in what we think is a fair fight. What's unfair about the fight is the presence of a massive subsidy by the Community of Greek raisins and in order to fight that fire with some of our own, if we engage in a subsidy of American raisins, they find that we are fighting not only the Greek raisins. also that we are engaging in a subsidy that further penalizes the Turks.

Secretary Block. Right. Now I understand what you are getting at.

Situations like this are difficult. We have others that are comparable. There are markets where we could move some dairy products, for instance, and compete with the EC or something like that, but we would be displacing or we could displace markets from New Zealand, and New Zealand is not—they're not using subsidies. It's really not fair to them. So it really puts us in a difficult position in realizing that we're not going to go off and pick markets off everywhere in the world. It is a lot easier to look at markets where you are able to clearly and effectively target the country that you are trying to compete with and the markets you are going for and the specific commodity.

We have markets like that, so it is easier to turn to them first. That's one reason we turn to the wheat flour initially.

Senator Wilson. Mr. Chairman, I heard the indication of my time is expired. Let me just say that I think that charity is going to have to begin at home and that I don't want to penalize the Turks but I do want American produce to be able to compete for those European markets.

The final thing that you have listed as a criterion, demand expansion, "it would expand the demand base not simply redistribute existing trade." I think we should be careful about that one because our concern right now has to do with competition for the existing markets. We would all hope that those markets would expand. But the concern that has prompted this legislation has to do with the existing market and whether it expands or not.

The Chairman. Thank you, Senator.

Mr. Secretary, we are going to file some questions which we would like for the Department to answer in writing. Bob Dole, before he left, suggested a question, with which I fully concur. I think it ought to be answered. It is not related precisely to what we are meeting about this morning.

In the Post there was a story about the California cotton farmers who may receive more than $1 million in PIK payments under the program. Now, I would say, Mr. Secretary, that you and I and all other Senators and the administration in general must be prepared to defend the program against charges that it is going to provide windfall profits to certain farmers. And the question that Senator Dole and I would put to you is, is the Department taking steps to insure against abuses of this program's benefits?

Secretary Block. Mr. Chairman, I am glad you asked that question so we can get an answer on the record.

Yes, sir, we are taking those steps and in reference to this article, it is very misleading, in my opinion, because if there had been thorough research regarding the profit or the income, it would have been discovered that the article only takes into account operating costs; it neglects to take into account the fixed costs of doing business. And when you take the operating costs and add the fixed costs on to it there is no windfall profit. In fact, in some cases, there is no profit at all. It is a break-even or a loss. But it is better than what the producers are looking at without going with the program.

The **Chairman**. Well, I hope, sir, that you and others in the Department will be exceedingly diligent in making this clear. Because the last thing we need, as you well know, is a cynicism on the part of the public and the farm community itself toward farm programs.

Well, gentlemen, we thank you so much. We kept you here a little longer than we anticipated. We have other panels. But we do thank you for being here this morning and appreciate your testimony.

Senator **Boschwitz**. Mr. Secretary, before you leave, have you given any indication of what the signup for PIK is and how it is proceeding?

Secretary **Block**. I don't have any details. There is great enthusiasm. I am encouraged by the indications at this time. I am still running scared, however, because you know the producers could fall out of bed up until the 11th of March. We don't have any specific numbers and we don't intend to collect them, either, until March 11.

Senator **Boschwitz**. One problem with the PIK program that we are trying to solve by legislation is whether or not the availability date becomes the tax date.

Have you run into any problem out in your county offices with respect to that? Has that been an issue of some concern to the farmers?

Secretary **Block**. We have made great progress on that this week. Secretary Regan has joined with me, we have been talking with Members of the House where these tax bills are to originate. We have legislation through the subcommittee of the Ways and Means Committee. Congressman Rostenkowski called me yesterday and assured me that this legislation would be moving very rapidly to satisfy our needs and concerns and I'm optimistic we will have that in legislation by the 11th, and I thank this committee and the leaders here on the Senate side, and the chairman has assured me he would be helping us on that.

Senator **Boschwitz**. That's a vital aspect of the full PIK program and if we create a taxability date, we will probably go a long way in undermining it so this legislation is of great importance. I think we will be able to get it through the Senate in fairly quick order, will we not?

The **Chairman**. I think so.

Mr. **Leland**. I think everyone, Senator, realizes the importance of the tax aspect being cleared up for the program to be effective, and everyone wants it to be effective, and I think, as Secretary Block said, it is being worked on now and I think something, from what I understand will be worked out so that there is not the immediate tax effect that would happen without making changes.

Senator **Boschwitz**. Thank you, Mr. Chairman.

The **Chairman**. Very well.

Thank you, Senator Boschwitz.

Mr. **Leland**. Thank you.

The **Chairman**. Senator Wilson.

Senator **Wilson**. Mr. Chairman, I would just add the sentence with which I should have preceded my questioning and that is a sentence expressing my thanks to the members of this panel, Secretary Block and Ambassador Macdonald have, I know, been eager to be of assistance to the embattled American farmer in gaining our share of exports and I am grateful to them and to Mr. Leland for their presence this morning and for the testimony which they have brought us. It is a very heartening thing to have that kind of support.

The **Chairman**. Thank you, Senator.

Secretary **Block**. Thank you.

[Questions submitted by Senator Hawkins to Secretary Block and answers thereto:]

Mrs. **Hawkins**. What distinguishes agricultural trade from other types of trade in justifying the use of subsidies when other industries are likewise adversely affected by such unfair trade practices?

Secretary **Block**. We don't believe the use of export subsidies is justified. However, the rules of the General Agreement on Tariffs and Trade distinguish between agricultural and industrial export subsidies. Export subsidies on industrial products are prohibited. A country found guilty of using them may be subject to retaliation. Export subsidies on agricultural products are not prohibited. Countries found guilty of using them may be subject to retaliation only if it can be proved that the subsidies displaced another country from its traditional markets or materially undercut the prices of another exporter. The procedures for bringing such a case under the GATT are long and drawn out and the proof of displacement and undercutting in specific cases is not as easy as the apparent facts sometimes suggest. This difference in the rules reflects the fact that there is much more use of export subsidies for agricultural products than for industrial products. Some countries, such as the European Community, could not operate their agricultural support programs in their present form without export subsidies. We believe they should adjust their programs to eliminate this problem, but until they do, the United States also finds itself in the position of having to employ special programs to make U.S. exports competitive with other governments that subsidize.

Mrs. **Hawkins**. We are all aware that consumers in Japan and the EEC pay far higher food prices than consumers in the United States. In your opinion, why are their consumers willing to pay higher prices, when, if trade barriers and subsidies are removed, they would enjoy lower food prices?

Secretary **Block**. In Europe and in Japan, as in the United States, consumers over the years have been spending a declining share of their income on food. The fact that they pay more in absolute terms than we do is not as important as the relative change in what the individual consumer has to pay over time. In effect, their consumers do not really recognize the price they pay for the benefit of their farmers.

Mrs. **Hawkins**. What has been the response from the French to our using suplus CCC wheat to help sell wheat flour to Egypt?

Secretary **Block**. The French have made very strong representations to the European Community, since France alone does not control the European Community export policy. The European Community has discussed the problem with us, as they see it, on several occasions. The EC has also twice increased its export subsidy rates on flour. EC flour exports have not substantially increased on this account, although the French have made strong overtures to Egypt to buy French flour as well as U.S. flour. On the other hand, the European Community has substantially increased its wheat exports in recent months, with sales to Indonesia and other markets at high rates of subsidy.

SOVIET GRAIN EMBARGO

Mrs. **Hawkins**. What role did the Carter-Mondale embargo play in the demise of U.S. agricultural trade abroad?

Secretary **Block**. The United States supplied the Soviets with nearly 75 percent of their import requirements during the 1978/79 grain marketing year, and our grain exports accounted for around 55 percent of the grain shipped in world commerce. During the current 1982/83 season, the U.S. share of world grain trade, in contrast, is projected to fall to 49 percent and we will account for less than 20 percent of expected Soviet grain import needs. The partial embargo of grain sales to the Soviet Union in 1980 lost much of its intended impact in that Soviet grain import needs were essentially met with grain from other exporting countries. The embargo not only undermined the United State's position as a reliable supplier, but also encouraged other exporters to expand production to meet the new Soviet demand. This Administration has taken a number of important steps to assure customers of our determination to be a reliable supplier of agricultural products including cooperation with the Congress regarding legislation on contract sanctity.

[Questions submitted by Senator Hawkins to Ambassador Macdonald and answers thereto:]

Question 1. Do you believe the legislation we are considering today which "neutralizes" foreign agricultural subsidies will help reduce other trade barriers such as tariffs and quotas as well?

Answer. In order to be able to reduce foreign tariff barriers, we need to have legislation that would allow us to lower our tariffs as well. Such reductions are normally carried out on a reciprocal basis. Quotas present a different kind of challenge, one that we are attacking on a bilateral basis with several countries and on a multilateral basis through the General Agreement on Tariffs and Trade.

The legislation being considered by the Committee as this time would not appear to address either of these issues directly.

Question 2. Do you think Congressional action will provide the United States any greater leverage in our Section 301 petitions under the GATT?

Answer. Section 301 provides the President with very broad authority to take trade action in defending U.S. trade interests against unfair competition in international markets. In light of this broad legal authority, it does not appear that additional legislation is necessary. Nevertheless, bipartisan Congressional support for our efforts to resolve complaints filed under 301 is always helpful.

Question 3. As you are well aware, the Japanese refuse to seriously consider eliminating their trade barriers on U.S. citrus and beef. What further action is necessary on the part of the U.S. Government to force them to take action?

Answer. We are very much aware of the reluctance of the Japanese government to consider eliminating their barriers to imports of citrus and beef. I have been in frequent contact with Japanese officials and feel confident that over the next few months we will come to an agreement, generally satisfactory to the domestic interests involved, that will lead to a substantial relaxation of these barriers.

[Questions submitted by Senator Hawkins to Assistant Secretary Leland and answers thereto:]

Question. With the loss of U.S. markets abroad, the U.S. Government is forced to purchase and store more and more agricultural stocks. Can you tell this Committee the extent of the burden placed upon the U.S. Treasury due to the predatory trade practices of foreign nations?

Answer. Because the 1982 decline in agricultural exports is due to several interrelated factors, we are unable to measure accurately that part of the decline due to unfair trade practices of other countries. In addition, we cannot attribute the increases in fiscal year 1982 budget outlays to specific market developments such as increased supplies, lower world demand, or loss of markets due to competition. I am providing, however, an illustrative analysis to indicate a range of possibilities.

In 1982 the total value of U.S. agricultural exports declined 16 percent—from $44 billion in 1981 to $37 billion—but much of that was caused by a 12 percent drop in the unit value of exports. This implies the quantity of exports declined by about 4 percent. Agricultural exports are expected to decline further in 1983, but less than in 1982.

We believe much of the decrease in export value was due to weakness in the world economy which led importers to reduce purchases of feed grains, soybean products, and cotton. The appreciation of the dollar may have contributed to the decline also, but the evidence is not clear on the amount of any decrease due to a strong dollar. Finally, large increases in world grain production came at a time when stocks were large and demand was declining, thus, adding to already weak prices.

We do not have all the data necessary to pinpoint which commodities contributed most to these decreases in prices and quantities, but some statistics compiled by the U.S. Department of Agriculture show that a 35 percent decrease in feed grain (mostly corn) exports was the major factor. Feed grains are not directly affected by EC export subsidies. The European Community does subsidize the export of wheat and flour, U.S. exports of these products increased from 42 million tons during July 1980—June 1981 to 49 million tons during 1981/82. Current estimates, however, indicate that U.S. exports of wheat and flour for 1982/83 will be about 41 million tons. All of the losses in U.S. share projected for 1982/83 are not due to unfair trade practices of the EC, however, because Canada, Argentina and several smaller exporters are increasing their exports as well, and they apparently are not engaging in unfair trade practices. U.S. exports of coarse grain were 72 million tons in 1980/81, 61 million tons in 1981/82, and may drop to 56 million tons in 1982/83.

The U.S. share of world wheat trade increased in 1981/82 to 48 percent, as compared to an average share of about 45 percent over the past decade. The EC share remained at about 15 percent in 1981/82, well above the 11 percent average of the last decade. During the current marketing year, which will end June 30, the United States share is expected to decline to about 41 percent while that for the EC is projected to rise to about 17 percent, unless steps are taken to restrain EC exports during the next few months.

To estimate the loss of potential wheat and flour sales, we might assume that the United States should maintain its 1981/82 export level of 49 million tons during 1982/83, about 8 million tons above the projected total. If all of this wheat has been placed instead in the grain reserve under CCC loans, the budget outlays this year are about $1.4 billion higher than they would have been if the wheat had been exported instead. Past experience, however, indicated that only a portion, perhaps three-quarters, of wheat surpluses actually are placed in reserve.

Alternatively, if all of the EC's projected wheat and flour exports (17 million tons) in 1982/83 were considered uncompetitive and if U.S. exports replaced all of these, then the potential budget savings could amount to nearly $3.0 billion. It is more likely that other countries would share part of these exports.

As a third alternative, if the "normal" U.S. share is considered to be 45 percent and we could only expect to achieve that share during times of heavy world supplies, then about 3-5 million tons of "extra" grain are being carried in the grain reserve. The associated budget outlays for these are about $600 million.

Poultry meat is the other major commodity which is being affected by foreign export subsidies. Brazil, the EC, and Hungary are major competitors and each is making substantial inroads in markets where we could reasonably expect to do well. If the United States were to maintain a 30 percent share of the market—which it held during much of 1977-80—instead of the current 20 percent, total U.S. exports might be $130 million higher. Furthermore, if the added exports required added production of poultry, which in turn would reduce the corn in the grain reserve, then budget outlays might be reduced by $50 million.

These examples indicate that the budget outlays related to lost exports due to foreign subsidies could be substantial, but those subsidies probably are not the major reasons for the decline in the value of U.S. exports in 1982 and 1983.

Question. Are foreign agricultural subsidy programs directly related to the current recession? Or are these foreign subsidy programs more a part of long-term predatory marketing policy?

Answer. Some foreign export subsidies probably have increased as a result of the recession, but a more important concern to U.S. agriculture is the increasing use of export subsidies in several countries to aid in surplus disposal as well as to increase total exports.

The European Community has been using export subsidies to an increasing extent to get rid of excess supplies of grain, dairy products, sugar, beef, and poultry meat generated by an agricultural system which is insulated from changes in the world market. If these trends continue, their exports will displace exports from more efficient exporters. EC exporters may even increase their market shares as they have done for wheat over the past decade.

Brazil has been relying on various subsidy programs which enable its poultry producers to meet or beat world competition. Other export commodities also benefit from various subsidies.

Meanwhile, U.S. producers are forced to reduce production in response to weakened demand.

The CHAIRMAN. Our next panel will be Bernard Steinweg, the chairman of the International Trade Committee of the National Grain and Feed Association; Ralph Weems, first vice president of the American Soybean Association; Roy Henwood, president of the Millers' National Federation, and J. Stephen Gabbert, executive vice president of the Rice Millers' Association. If those four gentlemen will come forward.

Gentlemen, we appreciate your sharing your time and your wisdom with us this morning. If you have prepared statements, they will be printed in the record; if you wish to summarize them, that would accommodate us in terms of time a little bit, but that is entirely up to you.

Mr. Steinweg, we will call on you first, sir.

STATEMENT OF BERNARD STEINWEG, CHAIRMAN, INTERNATIONAL TRADE COMMITTEE, NATIONAL GRAIN FEED ASSOCIATION

Mr. STEINWEG. Thank you, Senator Helms. I would like to introduce myself. I am Bernard Steinweg, senior vice president of Continental Grain Co. in New York, and I am here today representing the National Grain and Feed Association.[1]

Our association would certainly like to congratulate you, Senator, and the members of the committee, for holding these hearings. They are an indication, a further indication that you and Congress well understand the importance of a healthy agriculture to the economy of the United States. We know that major attention has been focused on agricultural policies because of the major cost overruns in commodity programs this year when compared to the anticipated benefits. And this is one of the reasons we now have a payment-in-kind program in place for the 1983 crops.

But we are also aware that the longer term solution lies in expanding demand, particularly the export demand, and certainly Congress recognized this when they recently passed the contract sanctity legislation, and as has been referred to this morning, blended credit.

In fact, our association feels that the blended credit should become more of a permanent part of our agricultural program and not just in place when we are looking to make sales during periods where we have surpluses, but should also be in place to help importing countries when they need to buy.

And that really brings us to the point of the hearings, which is to discuss additional export initiatives contained in the several bills now before Congress.

And in order to evaluate some of these proposals, I think we have to examine some of the factors causing the problems, and they are in in our opinion, somewhat different for the grains than for processed commodities.

As has been mentioned this morning, some of the reasons are known, at least for grains, that the financial and economic pressure from the worldwide recession has exerted on all nations and all industries, with credit becoming a major problem.

We also know that the United States has lost a substantial share of grain trade with the Soviet Union. In fact, if this year we were participating to the same extent that we had in previous years, we would probably be selling about 25 million tons of grain instead of the 6 million tons that it looks like we will sell, which is the minimum under the agreement.

We believe also that domestic farm policy has aggravated some of our trade problems. As market prices have plummeted, which should have signaled growers to reduce levels of production, our loans and targets and reserve entry loan rates were increased, and during the past 3 years, our support levels have become the primary incentive for farmers. We have also lost some volume due to a reduction of Public Law 480.

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[1] See p. 246 for the prepared statement of Mr. Steinweg.

And, finally, in a world where economic recession has generally stagnated demand for all goods and services, competition among sellers has become more intense. And this situation has highlighted the practices employed by all nations to capture both existing demand and to protect or insulate domestic producers and manufacturers from foreign competition. While our wheat and feed grain exports have by no means been immune from market intervention by the EEC and other governments, the impact of these actions have been more strongly felt by U.S. processors.

Quite obviously much of agriculture's has been focused specifically on the practices of the EEC, and they are complex, indeed.

As you know, the differences between the United States and the EEC have been festering for years. These problems are aggravated by old GATT negotiations that granted the U.S. waivers to set duties on dairy products, sugar, peanuts, and cotton.

At the same time, GATT set zero bindings on EEC imports of soybeans, soybean meal, and feed grain substitutes, and not surprisingly, imports of these items have increased dramatically, and are in part responsible for the Community's need to export its wheat and feed grain production.

The focus in recent years has shifted to the EEC's export policy and the interpretation of primary products and equitable market shares which are the mechanisms within GATT through which export subsidies may be rationalized.

Senator BOSCHWITZ. The sentence that you read, "Not surprisingly, imports of these items have increased dramatically," and then you added something which is not here in your testimony.

Mr. STEINWEG. Yes, sir. I am saying that the increase in these zero binding commodities——

Senator BOSCHWITZ. Thank you. Soybeans.

Mr. STEINWEG. The corn gluten feed, the tapioca, the soybean meal naturally have increased dramatically because they are relatively cheap compared to the corn, wheat or other commodities that are subject to levies.

Senator BOSCHWITZ. Oh, pardon me. I thought you said that they had a need to export.

Mr. STEINWEG. But through the imports of these products, this has in part created a greater need for the Community to export its own wheat and feed grain production.

Senator BOSCHWITZ. OK.

Mr. STEINWEG. Both the United States and the EEC offer their producers price and income supports. When those supports are in excess of market clearing levels, surpluses accumulate. The United States uses acreage diversion and set-asides to control production. Our objection, which appears certainly more than justified, is that the EEC has continued to increase its price supports but made no attempt to control production, which has led them to aggressively seek export markets with the use of subsidies in order to dispose of surplus stocks.

A decision to use subsidies of our own to recapture or expand markets opens up a whole set of problems. It is these inherent dangers of the use of subsidies that our association wishes to bring to the attention of this committee.

The first and foremost problem with subsidies is that they are totally inconsistent with the philosophy that free and open markets promote maximum economic growth and efficiency. We applauded our market-oriented policies of the 1970's, but we question whether we are justified in abandoning them just because times are less prosperous.

The second drawback is that subsidies invite further retaliation from countries who are the target of retaliation and possibly those by others whose trading positions are inadvertently damaged.

It is impossible to predict how others will react and what the ultimate damage will be.

Third, subsidies distort market pricing, making it difficult or impossible to determine the true market value of a commodity. And I suggest that in view of recent developments, it would be rather difficult for anyone to know what the prices of 20,000 tons of wheat flour would be today.

The fourth problem with subsidies is that they favor foreign buyers over our own domestic consumers.

Fifth and finally, subsidies might well send the wrong signals to producers, commodity processors, and handlers if they are perceived as a continuing expression of Government export policies. And this could compound necessary domestic adjustments.

I think there are also problems in how subsidies are administered. Will they be targeted to destinations such as Egypt, which raises the concern that subsidies become a political decision. Will they continue indefinitely? Will they be used across the board as our subsidy programs were in the past? Will we open up more direct Government sales such as the recent Egyptian sale? Are we throwing in the towel on GATT which so far has been the world's most important international mechanism in reducing trade barriers and dealing with trade disputes?

The issue is so complex and potentially dangerous that the only reason not to rule out subsidies completely is that such a position would invite other countries to undercut us without fear of retaliation, and thereby remove any chance of settling disputes on a bilateral basis.

We find it impossible to offer specific prescriptions that would warrant the use of subsidies, whether for retaliation or as an inducement for added sales.

Consideration would have to be on a case-by-case basis. We certainally recognize that subsidies are now being considered as a near-term policy measure. We suggest that when they are contemplated as a means of retaliation that certain conditions be met: First, that the U.S. trade disputes should continue to be subjected to the same review procedure such as the process now involved in section 301 cases. We do not believe that Congress should mandate exactly when subsidies are used because there are too many unforeseen variables in each case, nor should blanket authority be given to USDA to use subsidies without determination by STR that the issue involves an unfair trade practice as opposed to a domestic issue.

And before using subsidies in retaliation to unfair trade practices, I think we must assure that a genuine attempt has been made to reach settlement through bilateral negotiations.

And lastly, if we must subsidize, domestic support prices should be frozen or adjusted to more closely reflect the true market clearing levels.

In conclusion, we believe the centerpiece of U.S. policy should be to revitalize our domestic and world economies. And when considering solutions to our short-term challenges, we must remain cognizant of the long-term implications for our markets.

We believe there are several positive steps that could be taken. First, we must change the direction of our domestic farm programs. U.S. support levels are too high relative to today's market conditions. They encourage excessive production, both in the U.S. and the rest of the world. We think Congress and the administration have demonstrated a willingness to deal with this issue for the 1984 crops.

Second, we support in principle, as an interim measure, the announced 1983 PIK programs that are intended to reduce grain stocks. We think that this in itself will help create some additional demand which does not exist now; as long as we are carrying the major part of the world's stocks, there is little incentive for foreign countries to buy as long as we are doing that. When those supplies come down a bit and there is less assurity, we think that in itself will create some additional demand.

Third, we must recognize the importance and special circumstances surrounding agricultural trade with the Soviet Union. It is apparent that a new grains agreement is needed if we are to normalize trade with the largest importer in the world of grains.

Fourth, the U.S. Government should continue to fund programs such as Public Law 480, GSM 102 and the blended credit.

And finally, we must continue at the highest level of Government our efforts to solve trade differences on a bilateral basis and through GATT.

Our recent actions and those contemplated by this committee will hopefully result in more productive and realistic negotiations by all concerned parties.

Thank you.

Senator BOSCHWITZ [presiding]. Well, we certainly share the hope that you stated in your concluding sentence. Can you comment on the various bills that members of the committee have introduced, including myself, bills that are somewhere between authority and mandate because of the frustration we have with some of the folks who were trying to engage in bilateral negotiations.

I had the pleasure of meeting the other morning with the ambassador from the EC, Sir Roy Denman, charming fellow but a pretty rough dog. And so right away we got into it, and they certainly do not have any sense, or as they stated, do not have much of a sense that any of their practices are harmful to others, and keep telling us they are our biggest customers, and so forth.

And, you know, I made some of the same points that you have made. I would hope that we are able to take the measured approach that you wish us to take. Some things that you suggest are very difficult politically, and some things are very difficult bilaterally because of the position that some of our partners take.

But I thank you very much for your testimony. Do you see, from what you hear, see, read, that some of our so-called trading partners, some of those that we find in the European Community who are difficult to deal with, are becoming more pliable?

Mr. STEINWEG. Yes, sir. I think that in time with the actions that we have taken, not only in the Community, but I think the rest of the world will see the potential dangers and consequences of heading down the road that we have started or we have countered with. And I think I would like to just say, I support the sentiments expressed by Ambassador Macdonald this morning, that we still have to work through GATT as well as the bilateral negotiations with the EC if we are going to settle some of the specific problems. They are complex. They vary almost by background with each, certainly with each of the processed commodities, and I think it is in our interest and the world's interest to continue to support GATT, as difficult as it may be, in finding resolutions and definitions to some of the problems. I do feel that what is going on right now will make some of the other countries, including the EC, aware that it is also in their interest.

Senator BOSCHWITZ. Well, I hope that you are right. I trust that you are right and that they will become more pliable and maybe folks over at GATT will decide they can move with some greater dispatch as well.

I thank you very much.

Ralph Weems, who is the first vice president of the American Soybean Association.

STATEMENT OF RALPH WEEMS, FIRST VICE PRESIDENT, AMERICAN SOYBEAN ASSOCIATION

Mr. WEEMS. Thank you very much, Mr. Chairman.[1] It is a pleasure to be asked to come before this committee. I am a farmer from West Point, Miss. where I produce soybeans and wheat. I also appear here today as first vice president and president-elect of the American Soybean Association to offer comments on the export PIK program and the related export enhancement bills that are pending before the Senate.

ASA supports the major principles embodied in the several bills now under consideration. We concur with the contention that U.S. farmers can no longer afford to endure the loss of their hard won foreign markets as a result of the export subsidy program employed by our competitors.

We do, however, suggest a bit of caution on the part of the administration, Congress, and other agricultural sectors with respect to adoption of retaliatory agricultural subsidy programs.

We must remember that the current slump in U.S. agricultural exports is not as much the result of subsidized foreign competition as it is the high value of the dollar, and in some commodities the interference of their loan programs with world price for the commodity.

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[1] See p. 252 for the prepared statement of Mr. Weems.

We should not blame all these woes on other nations' subsidy programs, and we should not overreact during the current recession and cause a major trade war, especially with the European Community.

The United States is currently selling in excess of $9 billion worth of agricultural commodities to the European Community, $3.5 billion of which is soybeans and soybean meal. The United States enjoys such a large export of soybeans and soybean meal to the European Community because of the zero bindings that were negotiated in the 1960's.

It is no secret that the European Community would like to eliminate the soybean bindings and reduce its imports of what it calls grain substitutes. Just last week French Minister Cresson stated that the European Community could not afford to continue to import as much soybeans and corn gluten if the United States prevented it from exporting its grains.

The chairman of the German Farmers Association also has made a similar request, that soybeans and soybean meal have an import levy placed against them if we proceed with our U.S. subsidized wheat flour sale to Egypt.

An escalated trade war between the United States and the European Community could bring about an abrogation of soybean bindings and the probable loss of, as much as $1 billion of our trade with the European Community. Such an action by the Community would result in the prompt and broad U.S. retaliation and could be the catalyst for a major trade war.

In view of the risk involved in our current dispute with the European Community, we urge Congress to take judicious action to offer export enhancement programs only where it can be clearly shown that U.S. export markets were taken away by the European Community or other nations through the use of unfair subsidies.

We should not attempt to gain markets through the use of export PIK programs, when those markets were never ours in the past.

Finally, we caution against the programs to expand the exports of U.S. commodities supported by domestic programs at prices well above the world price. Not only would the subsidization of noncompetitive commodities lower us to the level of the European Community, but it also violates the basic principles of trade based on competitive advantage.

A major cause for today's soybean low prices is the huge surplus of soybean oil. This surplus is largely the result of the subsidy programs of our competitors. In 1980 Brazil began subsidizing Indian soybean oil sales and the U.S. soybean oil sales to India dropped by over 85 percent to only $22.1.

Presently, the Brazilian oil is selling from $10 to $45 less than U.S. origin soybean oil. Soybean oil historically accounts for about 40 percent of the value of soybeans. Each 1 cent per bushel difference in the price per pound of soybean oil translates to 11 cents per bushel difference in the cash price of soybeans.

If the soybean oil price was 25 cents per pound as it was 30 months ago, rather than 17 cents per pound as it is today, soybeans would be selling at well above $6.50 per bushel. To counter this soybean oil export subsidy program offered by Brazil and to expand soybean oil sales to other nations, ASA urges Congress and the administration to take the following action: One, USDA should implement a soybean oil export equalization program similar to the one recently announced on the wheat flour sales program to Egypt. Such a program could result in the U.S. value added soybean oil sales of 500,000 metric tons to India, worth approximately $200 million.

We do not endorse the above proposal lightly. We have historically opposed such nonmarket oriented programs. However, the fact remains that we were driven out of this market by subsidies from Brazil. We can either choose to forever lose that market or to compete for it.

Hopefully, the soybean oil export PIK program we have described with convince the Brazilians to cease their subsidizing. If they do, you can rest assured we will be the first to call for an end to this type of program. Two——

Senator BOSCHWITZ. One second. We have historically opposed such nonmarket oriented programs. Historically on the preceding page where you cautioned us to be very judicious, but now when it comes to soybean oil you want us to be a tiger.

Mr. Weems, you cannot have it both ways. We are not going to do it for soybean oil if we cannot do it for other products. And it is nice that you are going to call for an end to the proposed U.S. export equalization program in the event that the market becomes free again; you will be in line with everybody else on this committee who also will want to be first.

But you have made the case very well when it comes to soybean oil what we should do and why we are considering doing it for products as a whole. And we suggest to you that if you are going to make it soybean oil, do not make it to the other products.

Now, you can continue on.

Senator MELCHER. Would the Senator yield?

Senator BOSCHWITZ. Yes, sir.

Senator MELCHER. As so often happens around here, I have two committee meetings simultaneously, and I now have to leave this one in order to attend the other one. I do not want my leaving to be taken as any disrespect for the witnesses or any lack of interest for what the witnesses are providing for us today in their testimony. I am very interested in it, and I want to compliment this panel, as well as the next panel. While I will not be able to hear all of it, I have read all of it, and I think it is very good testimony.

I am very much appreciative of it. Thank you.

Senator BOSCHWITZ. I thank the Senator for staying as long as he could. Thank you.

Go ahead, Mr. Weems.

Mr. WEEMS. Thank you, sir. Since soybean oil is the second most requested commodity by Public Law 480 recipient nations and soybeans are America's largest cash crop, we believe we are not receiving our fair share of Public Law 480 allocations. Since soybeans are by far the least costly major commodity with respect to Federal price supports, ASA believe Congress can and should at least provide us with a fair share of the Public Law 480 allocations to increase soybean oil exports. Three——

Senator BOSCHWITZ. I might say that there you make a better case than if you look historically. We did in the past give greater emphasis in Public Law 480 to soybeans and when we did, it resulted in expansion of markets in those countries where we did it.

Mr. WEEMS. Thank you, sir.

One way the United States can generate increased commodity sales without an additional cost is to require Public Law 480 recipient nations to purchase more of their commercial commodity imports from the United States.

During the 1981–82 marketing year, the nations receiving title I and title III, Public Law 480 loans imported 1.5 million metric tons of vegetable oil, of which only 618,000 metric tons came from the United States. That means that nations receiving Public Law 480 are buying at least 58 percent of their vegetable oil from other sources.

After all, can we as a nation with an annual budget deficit of $200 billion and a trade deficit of $60 billion afford to loan or grant billions of dollars to other nations while those nations import their commodities from other nations? ASA believes it is time for USDA to begin offering Public Law 480 blended credits and commercial credits in a mixed credit program which would lower the effective rate on the overall package.

ASA believes it is time to stop unproductive cargo preference subsidies, which I was glad to hear you support also, Senator Boschwitz.

Senator BOSCHWITZ. I hope you will look at how your Senators vote on thar particular item. You have some shipping interests in Mississippi, but push them a little bit.

Mr. WEEMS. I assure you we will.

Senator BOSCHWITZ. It helps.

Mr. WEEMS. These subsidies represent a sizable drain on the U.S. Treasury, yet woefully inadequate results. This year USDA will spend over $100 million in subsidies for U.S.-flag ships to carry approximately half the commodities shipped under Public Law 480.

Last year U.S.-flag bulk ships average charged $52.57 per ton more than foreign flag vessels to carry these commodities. That means a ship carrying 30,000 metric tons of commodities received a subsidy averaging $1,574,000 from the U.S. Treasury for a one-way crossing.

If that cargo was wheat, this subsidy amounted to almost $1.43 per bushel. And in my area, Senator, that is half the value of a bushel of wheat.

We are appalled by the administration's decision of last Tuesday, that the current cargo preference law applies to the Egyptian wheat flour sale. Application of the 50-percent U.S.-flag carrier preference requirement would require the U.S. Government to commercially purchase 33.2 million additional dollars of wheat to compensate our U.S. exporters.

Not only is this an unjustified raid on the Federal Treasury, but it also throws into jeopardy export PIK legislation and ASA's proposed soybean oil export equalization program. The U.S. flag shipping industry has also been attempting to get the administration to rule that cargo preference applies to blended credit sales that the U.S. has made in recent weeks.

This application would be an effective death of the blended credit program. Cargo preference should not be a dominant force in U.S. agricultural trade policy. It is time to stop the threat posed by cargo preference to U.S. programs needed to combat the predatory export subsidy practices of our competitors.

Will Congress continue to allow vital export PIK legislation and U.S. blended credit program to be held hostage to a cargo preference law? ASA strongly urges this committee to specifically exempt the cargo preference from export sales conducted under future PIK and blended credit programs.

The existing cargo preference program has yielded dubious results. It has not stimulated a more efficient U.S. merchant marine fleet, but one that is totally inefficient by world standards. We urge Congress to either transfer the cost of subsidizing the U.S. merchant marine to the Maritime Administration, eliminate cargo preference entirely, or at least keep the subsidies provided U.S. ships at 25 percent of the rates charged by foreign carriers.

Thank you for your time.

Senator BOSCHWITZ. We thank you, Mr. Weems.

I would like to point out that we will put your entire statement in the record. You left out a very interesting sentence that I would like to read:

> It's worth noting that the ship which sank two weeks ago off the Virginia Coast, the Marine Electric, killed 31 seaman, was a 39 year old dry bulk tanker which had previously been carrying Public Law 480 grain. And reports from survivors of the catastrophe pointed out the unsafe, decrepit condition of the ship. The only reason it was still in service was the fact that it had been receiving maritime subsidies, including cargo preference.

That applies to a number of ships. They have some pretty ancient stuff plying the sealanes, and I was not aware of that. I will use that fact in my argument as I make it before my other Senators.

Mr. WEEMS. Thank you, sir. That, as you say, was in my full statement, and I understood you would receive it for the record.

Senator BOSCHWITZ. Yes, right.

Mr. Henwood.

STATEMENT OF ROY HENWOOD, PRESIDENT, MILLERS' NATIONAL FEDERATION

Mr. HENWOOD. Yes, Senator. I am Roy Henwood, president of Millers' National Federation. I too have a statement that I would like to share with the committee through the record.[1]

If I could just comment on a couple of items in that statement and then pass on to some other items that have come up in the meantime that may require a little attention, I would like to do that.

The first, if I could, on page 2 refer you to the sections there where we review those items that we think you might care to note on the targeted program for export enhancement. We have reviewed the reasons why we think the wheat flour sale was appropriate for our Government, acceptable to our Government. And we offer them now to you as additional considerations as you take a look at the programs that are offered for examination before this committee.

Also, I would like to refer you to the final page and the economic impact of the 1 million ton flour sale addendum. I think that some of those items are impressive in terms of the economic benefit, the ripple effect that this sale has had, and I think they stand on their own merit.

I should probably note for the record that the efforts with respect to added value of the EPIK group and other similar added value proponents are directed toward giving an appropriate share of any additional markets won to added value exports.

And they are not at the expense of the traditional bulk products. I think this is important to point out at this time. With respect to the cargo preference, my colleague, Mr. Weems mentioned and you earlier, I think, that it might be of interest to you to know a little bit about the manner in which this cargo preference might affect the particular Egyptian program.

The administration took on a significant responsibility in offering the entire wheat flour needs of the Egyptian nation by agreeing to that 1 million ton sale. And we expect to ship in the next 2 or 3 months 130,000 tons per month to Egypt; 120,000 tons per month, subsequently. And it is important to note that that pipeline simply cannot be interrupted, particularly with the holiday season coming up.

The sales to Egypt are on a C and F basis, Alexandria. It is not a form of sale that we are familiar with. Excuse me. This sale, C and F is not—Senator, I am going to have to ask that you excuse me for just a moment and ask that you pass to Steve Gabbert for his statement——

Senator BOSCHWITZ. Fine.

Mr. HENWOOD [continuing]. While I regroup.

Senator BOSCHWITZ. That would be just fine. Why don't we in that case ask Steve Gabbert from the Rice Millers' Association to proceed with your testimony and when we get back to you, Mr. Henwood, we will ask a little bit about the flour and how the flour is shipped, if it is shipped in bags or is it shipped, I presume——

Mr. HENWOOD. If you would be good enough to return to me in just a moment, I would be happy to respond.

Senator BOSCHWITZ. Fine, fine.

Why don't we just insert Mr. Gabbert, and I tell you, as long as we are taking this break, I noted, Mr. Steinweg, in your testimony—and I came in at about page 4—that you talked about, "In order to evaluate proposals for spurring growth in world trade or in the U.S. share of export trade, we will examine the factors causing the problem. They are somewhat different for grains than for processed or high value items," you say on the top of page 3.

Does that mean that you have a different viewpoint with respect to so-called export subsidies on high value items?

Mr. STEINWEG. No, sir. My viewpoint is the same, but I think as we are discussing problems of agriculture, I think we can fall into a trap if we are not aware that the problems, say, for wheat flour or poultry are different than they are for corn.

Senator BOSCHWITZ. OK. Thank you. In that case, we will proceed with Mr. Gabbert.

Mr. **Gabbert**. Thank you, Mr. Chairman. I request permission to submit my written statement for the record and to make several comments.[1]

Senator **Boschwitz**. So ordered.

STATEMENT OF J. STEPHEN GABBERT, EXECUTIVE VICE PRESIDENT, RICE MILLERS' ASSOCIATION

Mr. **Gabbert**. My name, Mr. Chairman, is Stephen Gabbert. I am executive vice president of the Rice Millers' Association. This is an organization that was established in 1899 and represents independent and farmer-owned cooperative rice mills in Arkansas, California, Florida, Louisiana, Mississippi, Tennessee, and Texas.

Our members process all of the rice produced in the United States and also sell significant quantities of that rice directly into the export market. As far as rice industry is concerned, Mr. Chairman, we view the loss of global market share from a broader perspective and not merely being associated with the EC, as most comments have been related to this morning. Just to give you some background, very briefly, the total volume of international trade in rice on an annual basis is about 12.5 million tons, which is about 4 percent of world production.

That gives you an indication that it is a very thin market and can be a very volatile one. The United States which must export about two-thirds——

Senator **Boschwitz**. Pardon me.

[Discussion off the record.]

Senator **Boschwitz**. Pardon me, Mr. Gabbert. Go right ahead.

Mr. **Gabbert**. Mr. Chairman, the United States, which must export about two-thirds of its rice crop into the world market, has accounted for about 24 percent of world trade. In many instances we have been the largest rice exporter in the world.

We are expecting that our global market share for this year will drop to about 15 percent, which is a significant decline. The reasons for this decline we share with other commodities, such as the strong dollar, world recession, et cetera.

Rice also faces problems in the area of subsidized competition. Some of these are unique in terms of other commodities; specifically rice is confronting subsidized exports from Japan, Taiwan, and to some extent, the EC.

These three countries are providing about 1.5 million tons of highly subsidized rice into the world market. This represents about 15 percent of total world trade. We are considering the filing of a section 301 complaint against Taiwan. We are now in the process of interagency consultation with our Government. I was in Taiwan last November and had extensive meetings with Government officials there trying to see if we could resolve this issue prior to filing a section 301 complaint. I am of the view, having been down the section 301 road with Japan, that by the time you file a section 301 complaint, you have lost.

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[1] See p. 260 for the prepared statement of Mr. Gabbert.

I think the value of a section 301 complaint is really in using it as leverage in getting your problems resolved before you get to the filing point.

As you can see, Mr. Chairman, our problems, as far as rice is concerned, are in the export area. I would like to make some very brief comments about the domestic PIK program and how it relates to an export PIK.

Senator BOSCHWITZ. Are you done, then, with the export of rice? What is the value of the rice on the world marketplace, as a matter of interest, and the value of our share? What is the value of our rice exports?

Mr. GABBERT. It would be somewhere in the neighborhood of $2 billion.

Senator BOSCHWITZ. $2 billion.

Mr. GABBERT. Now, one important point, as far as the rice industry is concerned, is that about 6 or 7 years ago, 65–70 percent of exports we've shipped under the Public Law 480 program. Now that percentage has dropped to 10 percent, so that 90 percent has been sold on a commercial basis.

Senator BOSCHWITZ. I am not quite so familiar with rice, I must say, as I am with soybeans, soybeans being more of a crop of my neck of the woods. But I know that in the case of soybeans, when we have used them in the Public Law 480 program, we have been quite successful in generating additional markets. Has that been the same in rice?

Mr. GABBERT. I would not say as successful, but we have been successful in certain areas. Korea has been one of the Public Law 480 recipients who has graduated from being an aid recipient to a commercial cash customer.

Senator BOSCHWITZ. Go right ahead.

Mr. GABBERT. We commend Secretary Block for his initiative in implementing the PIK acreage reduction program. This program is going to provide temporary additional income for farmers. As far as rice is concerned, we expect excellent participation, probably at the near maximum level.

However, we view the PIK domestic program as being a partial solution to the problem, that it is only going to stop the buildup of stocks. It is not going to reduce the surplus.

An example of this, Mr. Chairman, the amount of rice that is going to be needed for the PIK domestic program is going to be somewhere in the neighborhood of 40 million hundredweight. That represents approximately a third of production.

It is highly likely that most of this rice will probably go into the domestic market. Rice that is produced in 1983 will most likely be put under loan. If the world market continues to stay below the loan rate, this rice will be forfeited back to CCC.

So you could possibly see a revolving exercise of inventory moving back and forth between CCC hands.

Senator BOSCHWITZ. I would hope you are wrong.

Mr. GABBERT. We——

Senator BOSCHWITZ. It could happen.

Mr. GABBERT. What we see is the need to complement——

Senator BOSCHWITZ. Want us to lower the loan level?

Mr. **Gabbert**. That is an issue I would rather not touch at the present time.

Senator **Boschwitz**. That is about our position.

Mr. **Gabbert**. Maybe you and I can discuss that privately. I think as a complement to the PIK domestic program, we feel that we are going to need a comprehensive export stimulation program, one that is embodied in the bills under consideration which include, PIK export, mixed credits, leveraging of economic support funds, and even tying trade to aid.

We think that without such programs, we are going to see a continued loss of global market share.

The United States without any kind of an export stimulation program is going to effectively walk away from the export markets that we have built for the last several years. We are going to become a residual supplier. I think we are going to end up effectively holding an umbrella over the world market, encouraging our competitors to expand their production and their market share.

We think that the combination of a PIK domestic program along with the economic recovery which is beginning, and an export stimulation program will do much to revive our agricultural sector by 1984. I believe the Senator would probably be very interested in that particular timing.

Senator **Boschwitz**. I am very interested in 1984, as a matter of fact.

Mr. **Gabbert**. As far as the PIK export program itself, we view it as a temporary program, one that will be temporary by its very nature. It will expire when the stocks are exhausted. We also feel that it is permissible under GATT article 16 and the Subsidies Code to subsidize to the extent of maintaining your traditional equitable market share.

One last point that we would like to conclude with and one that was mentioned by your questioning this morning and has been mentioned by several of my cowitnesses on the panel, and that is the issue of cargo preference. We strongly urge you, Mr. Chairman, to submit your specific legislation that would exempt the PIK export program and other credit programs as well from cargo preference. I think, too, that the decisions by the White House ignored the legal intent of Public Law 664, the Cargo Preference Act.

I think from a point of equity, if our country is going to establish a national policy of having a strong maritime fleet, I am sure we in the agricultural community support that. But I think the cost in maintaining that fleet and expanding it should be underwritten by the budget as a whole and not just put on the backs of agriculture.

Thank you, Mr. Chairman. We appreciate this opportunity to present our statement.

Senator **Boschwitz**. You know, the amendment that I am considering applies only to this particular wheat sale, wheat flour sale. I would like the amendment to be broader because I agree with what you have just said. Some of the people around me say that we should be more modest, that the last time around the amendment was introduced with not a great deal of notice, and that our goal should be more modest this time.

Do you, any one of you have any thoughts about that? Should we try for a modest achievement, whether we can more precisely illustrate the cost of the program, or should we try to undo the whole cargo preference legislation, Do you have any thoughts on that?

Mr. STEINWEG. Yes, sir. Our association has a number of times in the past opposed the cargo preference as written, so it would be consistent at this time to expand on your specific amendment.

Senator BOSCHWITZ. You think we ought to expand on it?

Mr. STEINWEG. Yes, sir.

Senator BOSCHWITZ. It did not get very many votes last time. I think it was 70 to 18 or 70 to 20 or something like that.

Mr. STEINWEG. It might get more this time, in view of the direction we are going on some of these commodities.

Senator BOSCHWITZ. We do not want more. We want 51, Mr. Steinweg. [Laughter.]

And it may be the better part of valor to get 51 on a more modest amendent. We have established some precedent in that way.

Mr. Henwood, if you wish to proceed again, then please do. In the event that you would be more comfortable, since I am the only Senator here, we can proceed in my office, if not today, next week, whatever you like.

Mr. HENWOOD. You are good to offer that. Thank you very much. If I have embarrassed you a little bit, I apologize.

Senator BOSCHWITZ. Not at all.

Mr. HENWOOD. I find that the last 48 hours for a rather generally low-key trade association have been pretty exotic. I must say that we have just finished the first tender successfully under the Egyptian program. That certainly is something of a landmark in itself. And then we received the notification yesterday afternoon, I guess it was, or Wednesday, that the White House had made its decision that 50 percent of this must be subject to cargo preference, and that is a confusing factor at best. We have some real concerns here, and so we wanted to work that into the mix for you.

Yesterday morning I awoke to——

Senator BOSCHWITZ. You do not think that that requirement by the White House is going to undermine the transaction, however?

Mr. HENWOOD. I definitely would like to addresss that for a moment.

Senator BOSCHWITZ. Sure.

Mr. HENWOOD. I think that we have some potential problems, and we will have to be very aware as this next tender takes place in a week to 10 days and watch for any hitches in the program as a result of cargo preference requirements. There was another perspective I wanted to bring to you and then yestereday morning, of course, I awoke to find the Wall Street Journal with a major editorial countering this whole proposal that we are looking at today. Then yesterday afternoon comes notification that a trade case that we have been standing by 7 years looking for a decision has tentatively been decided and a decision rendered.

So in hope of getting this all sorted and analyzed cogently for you, I think possibly I overextended a little bit and got a little confused here in my initial presentation to you. So I felt that it would be best to regroup. I appreciate the opportunity.

Senator **Boschwitz**. Well, when somebody makes a presentation to a panel as high test and honorable as the present one, I can understand. [Laughter.]

Mr. **Henwood**. Well, I hope this high test and honorable panel will let me continue just a little bit further, I didn't want to read for the record a statement. I thought it could stand and then I wanted to summarize some of these additional items. So I am shooting from the cuff a little and that is perhaps what caused my initial concern. But if I could again refer you to the items on page 2 of my testimony, the prepared statement, and state that I feel they are still valid. As you analyze additional proposals before the committee, that they are reasons; you might use them as yard sticks when you consider future PIK programs. And there is nothing new in my saying that.

The previous witnesses have suggested that future programs be applied judiciously on a closely targeted basis. We feel that that is the reason that the Egyptian wheat flour sale was acceptable to our Government because it was a limited program, specifically targeted, a specific commodity to make a specific point against a specific competitor.

And so I offer those for your consideration.

Then again, the economic impact program as the addendum to that statement; just because I feel that there is this increased interest in added value. And I just point out that any of these added value efforts are not at the expense of existing bulk tonnage; they are in an attempt to gain added value markets from new markets and to just take a percentage of those new markets.

So with that background, then, I would like to proceed to the cargo preference and speak specifically to what it might do for this Egyptian sale. And this is more of a warning that we be aware of what might happen on my part.

As I mentioned, the administration has now offered needs, flour needs to Egypt for an entire year.

With that comes a very substantial responsibility to see that that pipeline is uninterrupted. I think I mentioned to you that 130,000 tons we expect to ship out in each of the next 3 months, 120,000 tons in the subsequent months, and that the catchpoint where we might have a problem is that the Egyptians need to backlog substantial supplies in anticipation of their June–July holiday period. These tenders are coming quickly now, the next one expected in a week to 10 days.

And any hitch in the program as we struggle with a cargo preference sort of approach with which none of us are familiar on a C and F basis may interrupt that pipeline. So this is just a concern that we remain flexible, that the Department watch, and that we be certain that we actually have the vessels, the bottoms, the American flagships to do the business that we claim we need to do.

When we were in Cairo negotiating this particular sale, we promised them that we could do the business. So we have that obligation to make certain that it runs smoothly. I think that is really the gist of my comments with respect to cargo preference, except to note for you that there is this great differential of $60 to $65 a ton between domestic flag and foreign-flag vessels. And that has potential for making the PIK program very much more expensive in terms of bushels expended.

So the net effect is, we have to be careful with throwing cargo preference at a new program where a great deal is at stake.

Then if I could turn to my favorite subject. At the GATT, this is probably the one that has given me the most concern recently. And I noticed some reaction from staff, I think, likely I have become almost a Johnny One Note with respect to that particular issue and the length of time that it has taken for the decision on this wheat flour case.

I think after 7 years in the process it is about time we heard a response and a decision was rendered. And I think it is important also to note at this point that in defense of Ambassador Macdonald that he did hear about this case only very recently and called me almost immediately. And we did not have any problem getting information from his office at his level where, of course, that sort of decision needs to be made about whether it has been released. So I do want to put that into the record at this point; that we did hear from him in a timely fashion, and I do expect to hear from him further and to be briefed on behalf of the industry.

In our statement we treated the GATT rather mildly. Our position has been supportive of it, even though we have been frustrated, and we think that our experience under the GATT has pointed out the substantial flaws within that dispute settlement process.

The delays we have experienced really are inexcusable. I think the fact that the system nevertheless was grinding along toward an eventual decision is about the only thing that has saved us from tearing our hair out in frustration over the length of time that is has taken.

But the news that Ambassador Macdonald brings today is distressing in the extreme. If I am reading what he said to us this morning accurately and if his interpretation is correct, in spite of these delays, now we come and find that we have either no decision, nevertheless, or a decision so foggy that agriculture can draw no conclusions from it.

I think that that is totally unacceptable. It is really an insult to the agricultural community that has been waiting through this test case for as long as it has to see whether or not agriculture could ever be viewed in terms as firm as those GATT terms for manufactured goods. It has been a stated U.S. position that we will participate in the GATT in an attempt to improve those ground rules for international agriculture, to attempt to have them more nearly in line with the rules for manufactured goods. It appears that that may not be the case.

I think if USTR cannot force the panel to come out with a specific decision, if USTR cannot get from the Subsidies Code Committee a tight ruling on this issue, then I think your committee may be very well a vehicle to force the issue for revisions in the code itself.

I, as custodian of this case that has been pending for all these years, would not hesitate to call for your committee to do that and to take a look at the extent of U.S. participation in the GATT.

I think the USTR will, as the Ambasador said, press this case as far as they can, but once they have exhausted all of their administrative remedies, then we may very well be in a position to call upon you for further analysis of U.S. participation.

Senator Boschwitz. Fine.

Mr. Henwood. So, I think with those comments, thank you for your patience earlier. Again, my apologies for completely going off my pace, and I would be happy to respond to any questions you might have.

Senator Boschwitz. We thank you very much for your testimony. It was certainly worth waiting for, and I think it was quite clear, and other than the questions I have asked, I have no further questions of this panel. Thank you very much.

Our next panel consists of Patrick Healy, chief executive officer, National Milk Producers Association; George Atkinson, testifying on behalf of AMPI of San Antonio; and Edward Farrell, representing the New Zealand Dairy Board.

Mr. Healy, if you would proceed.

STATEMENT OF PATRICK B. HEALY, CHIEF EXECUTIVE OFFICER, NATIONAL MILK PRODUCERS ASSOCIATION

Mr. Healy. Mr. Chairman, I am Patrick B. Healy, the chief executive officer, of the National Milk Producers Federation.

I have filed a statement with the committee and I ask that it be included in total in the record.[1]

Senator Boschwitz. It will, indeed.

Mr. Healy. I will make some very brief remarks drawn from that statement.

We do appreciate having this opportunity to testify on behalf of legislation designed to improve the competitiveness of American agricultural products in international markets. The export market is basic to the economic well-being of all agriculture. While the dairy industry has not been a consistent factor in international makets, the weak export market for other commodities has had a major impact on the dairy farmer.

Lack of reasonable return for other commodities has caused the shifting of resources to milk production or the retention of resources in dairying that would otherwise have left the industry. This is a major factor in the expansion of milk production throughout the Nation.

The various bills before the committee provide the basis for development of policies that can be of substantial assistance to agriculture and the economy as a whole. The directive contained in S. 251 that 150,000 tons of CCC held dairy products be sold on the export market annually for the next 3 years is probably the only means available to bring about such sales. The authority exists for such sales at present. Congress has urged that this be done. Congress has said it should be done. This was done through the Melcher amendment to the 1981 farm bill, which is a basic part of our agricultural law. Unless a clear, unlimited directive is given, however, it probably will not be done.

Mr. Chairman, I hope the committee and the staff will exercise great care in the way that they phrase whatever comes out of this committee to make an absolute directive unrefutable. We thought we had done that; you thought you had done that in the 1981 farm bill when you directed the Secretary of Agriculture to sell dairy products. You were very kind; you were very courteous as you said so far as is practical. So far they have found it, apparently, to be very impractical. So if we are going to direct a use to be made of these commodities, be sure that the words are incapable of misinterpretation.

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[1] See p. 265 for the prepared statement of Mr. Healy.

We don't feel that the amounts of commodities discussed in these bills should be considered to be excessive. Just 2 years ago, USDA sold 100,000 tons of butter in one transaction. Surely the prudent management of a sales program can accomplish the desired ends without undue market disruption.

Much has been said and probably will be said about the potential market disruption such sales might have. The fact is that recurring rumors about possible U.S. sales already have had a disrupting effect on the markets. Specific actions such as are being proposed would clear the air, set rumor aside, and allow the markets to react normally.

We are aware of the allegation that many elements of these bills might present a violation of international agreements.

The International Dairy Arrangement which is the only specific international agreement dealing with dairy products establishes minimum pricing arrangements for certain dairy products. No one has suggested that the United States would be a party to violating these minimum price levels.

Concern over violation of the subsidies code apparently rests on the fact that the United States has not in the past used export subsidy programs to carve out a share of the world market for dairy products and is therefore not entitled to a share of that market.

As we point out in our statement, prices in the international market for dairy products are determined by the export subsidies provided by major exporters. It is a fact or perhaps the fact of that market. To say that the United States would violate GATT agreements by using export subsidies is to admit that the United States will not be a party to the export marketing of dairy products.

Frankly, this same line of reasoning can be, and by some is, applied to U.S. efforts to stimulate and maintain exports of other commodities.

We were greatly heartened by Ambassador Macdonald's report on the GATT Panel decision on the wheat flour case. It tends to bear out the practicability of the bills before this committee.

One doesn't need a trade policy or trade negotiations or trade expansion efforts to pursue an attitude of just waiting until things happen. For if that policy is to be followed we can simply withdraw from the markets unless and until someone comes to the door asking that we sell to them. It is very unlikely that they will do this. They don't, however, mind knocking on our door when they have surpluses to dump on our markets.

The broadened authority for donation of commodities under section 416 will be helpful in meeting food meeds of needy people everywhere. The provisions of S. 251, which would allow limited sale or barter of 416 products in the recipient country can help make the program more fully effective and would address the stumbling block presently slowing the full use of the program.

The concept embodied in your bill, Senator Boschwitz, S. 100, provides the framework for addressing problems such as we currently face on a continuing basis. For too long, the United States has been viewed as the holder of buffer stocks for world trade in farm commodities. This has forced the U.S. farmer to make the bulk of any needed production adjustment. It is meant that the fullest extent of price adjustments have been borne by the U.S. farmer. It has made it extremely difficult to maintain effective domestic price stabilization policy.

In total, Mr. Chairman, the proposals before the committee represent a unique opportunity for the Congress to address the need for a coherent agricultural trade policy, something we don't have at present. It is a void that we look to the Congress to fill.

Thank you, sir.

Senator BOSCHWITZ. What do you think, Mr. Healy, about the figure of 150,000 tons?

Mr. HEALY. Well, I think it is rather modest; it is 150,000 tons of three major dairy commodities; it is an amount which we should be able to look for to be absorbed in the world market. The United States is the leading milk producing nation in the free world, and has a right to a share of world trade in that commodity. To start with 150,000 tons I think is a modest beginning and certainly should not be disruptive in world markets.

Senator. BOSCHWITZ. 150,000 tons, figured quickly, is about one-quarter of our surplus.

Mr. HEALY. About that.

Senator BOSCHWITZ. About 3.3 billion pounds.

Mr. HEALY. Well, a little less than that, I guess. We have got a little over 2 billion—about 2¼ billion pounds of commodity in storage, so it is, I would say, less than a quarter.

Senator BOSCHWITZ. About a quarter of the annual addition I should have said.

Mr. HEALY. Very good.

Senator BOSCHWITZ. How large is the international market on dairy product? As Mr. Gabbert pointed out, the rice market is about 4 percent of the world's production. 96 percent of the production is used in the countries where it is grown.

Mr. HEALY. International trade provides a market for about 5 percent of the world's milk production at present.

Mr. FARRELL. It is about 5 percent of world production trade internationally, and about half of that 5 percent is into restricted markets, so you only have about 2 or 3 percent that is freely traded.

Senator BOSCHWITZ. Three and a half billion pounds on a fluid basis. What is the total output of New Zealand. It's not very large, is it?

Mr. FARRELL. New Zealand's total output, no. It is actually about, in tons it is about 6.2 million tons. So the production is quite small, but——

Senator BOSCHWITZ. 6.2 million tons of butter and other things are exported by New Zealand?

Mr. **Farrell**. About 80 percent—no, this is the—New Zealand's production is—in comparison with U.S. production, which is about 54 million tons, New Zealand's production is only about 6.2 million tons.

Mr. **Healy**. Mr. Chairman——

Mr. **Farrell**. But 80 percent of that production does indeed go into that little bit of the market which is internationally open.

Mr. **Healy**. New Zealand's production in terms that we deal with is about 15 billion pounds totally.

Senator **Boschwitz**. One-ninth of ours.

Mr. **Healy**. Pardon?

Senator **Boschwitz**. One-ninth of ours; 11 percent of what ours is.

Mr. **Healy**. I don't understand you.

Senator **Boschwitz**. That's all right. I am just repeating the numbers.

Mr. Farrell, maybe you want to go ahead with your testimony. We thank you for yours, Mr. Healy, and I will read your entire statement and, Mr. Farrell, if you will go ahead.

I hope you will summarize this.

Mr. **Farrell**. Yes. If——

Senator **Boschwitz**. You have a lot of interesting statistics. That's good. I will read your testimony.

Mr. **Farrell**. All right. And if it could be duplicated in its entirety in the record, I will summarize.[1]

Senator **Boschwitz**. Yes, yes.

STATEMENT OF EDWARD J. FARRELL, REPRESENTING NEW ZEALAND DAIRY BOARD

Mr. **Farrell**. Thank you, Mr. Chairman.

The New Zealand Dairy Board is the central co-op body of New Zealand dairying through which the dairy farmers of New Zealand manage the export marketing of their products, as the board buys and sells the export production of the farmer owned dairy co-ops.

More than any country in the world, New Zealand relies upon the continuing export of these products to finance its way in international trade. Last year, for example, 20 percent of export earnings were generated by dairy product exports alone.

By way of comparison, the United States earns less than 20 percent of it foreign exchange from all agricultural exports combined, including grains.

Senator **Boschwitz**. About 20 percent.

Mr. **Farrell**. In New Zealand, approximately 90 percent of the milk produced is used for the manufacture of dairy products, and nearly 85 percent of those are exported. By contrast, as we discussed earlier, about 5 percent of world milk production is traded internationally.

The great majority of dairy industries in both Europe and North American produce primarily for their own markets and export only those surpluses which are generated by high internal prices.

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[1] See p. 269 for the prepared statement of Mr. Farrell.

Such exports are possible only with the help of government subsidies, while New Zealand's large proportion of export to total production requires that it compete without the use of subsidies. Thus the New Zealand dairy farmer is totally dependent on returns from export markets and consequently New Zealand has utilized every available production economy to maximize the net of those returns.

One of the major comparative advantages that the New Zealand dairy industry has is that it has a mild, moist climate, which allows for the New Zealand milk herds to be run without housing, which is needed here and in Europe, as well as eliminating the need for supplemental feeding.

New Zealand also has very large farms by international standards, but they are family farms.

Likewise, there are significant economies achieved in dairy manufacturing. The average output of New Zealand's dairy plants is the highest in the world.

Up until 1950, the development of the New Zealand dairy industry was based mainly on the production for the United Kingdom market, but since 1950, dairy production in New Zealand has developed into a sophisticated export industry which has heavily expanded the range of dairy products available for——

Senator BOSCHWITZ. With all due respect, I am familiar with these facts and I will read them, if you would be kind enough to make the point that you wish to make on behalf of your client.

Mr. FARRELL. Fine. OK.

The board then is particularly concerned to bring these facts before you to try to put into perspective the international market, the U.S. surplus and New Zealand's role in the middle, if you will.

In that regard, if I could refer you to the pie chart which I have appended to my statement.

This illustrates the 5 percent of total milk production which is sold outside the country in which it is produced.

As we said, new Zealand's relatively small production, relative to other large producing countries like the U.S., is channeled into this external trade 5 percent, and, more specifically, a substantial portion of it into the 2 to 3 percent, which is freely available for export trade.

If we get more specific then, if I can refer you to table 1, attached to my statement, this is a butter worksheet for the year 1980, which illustrates for that specific commodity the general principle outlined in the pie chart. And if you notice, starting with a total world butter production of about 6½ billion tons, we work down removing home consumption and restricted imports to accessible markets in 1980 of just 202,000 tons. Now, this compares with current stocks of the CCC, which I believe are about 195,000 tons, or nearly a whole year's total nonquota international trade.

Likewise, table 2 and table 3 illustrate the same principle for cheese and nonfat dry milk.

Now, in the case of cheese, we have also factored out accessible markets for other than cheddar-type cheeses as those markets really are oriented to a different type of cheese, and cheddar would not be an easily acceptable substitute.

Likewise, in table 3, which is the worksheet for nonfat dry milk, we have also factored out here both animal feed exports and food aid exports, as well as milk recombining exports. Now, while milk recombining exports are technically accessible, they are tied to the technological support of the supplier and also the need for a continuity of that supply to the plant. So therefore these markets would not be adequately served by a surplus disposal.

Therefore, our point is that it seems clear that there simply is not the market internationally to come even close to dealing with the kinds of surpluses that have been generated here; and while we understand that the various bills do not contemplate a one-shot disposal of all that surplus, the quantity involved, and I think you mentioned 150,000 tons, is a very substantial portion, I would say probably about one-third, of the total accessible market.

If any exercise such as that were undertaken, we see no alternative to driving prices down to the GATT minimum. And I should point out that that is exactly what those prices are. The GATT minimums right now are well below current world prices. And a reduction of current world prices to those minimums would mean probably a reduction of close to one-third of the gross revenues for New Zealand and that would be I think clearly a catastrophic result.

Again, to put it in prespective, New Zealand dairying is to New Zealand very close to what Exxon, General Motors, and A.T. & T. combined are to the United States.

For many years now, the United States and New Zealand have worked toward a common goal in the elimination of export subsidies on agricultural products; and the board shares the concern expressed before this committee with the continuing role of subsidization in international agricultural trade. However, the board is now equally concerned that the legislation before you threatens that the United States will begin subsidizing their exports even after having stopped doing so some years ago.

Both the United States and the EEC must find other solutions to the imbalance their support programs have created in their domestic markets.

The various proposals before the committee are in fact no solution at all. International markets will not simply expand if the United States decides it will export its surpluses, and current suppliers to those markets cannot yield. The cost of the chaos thus created would be borne by existing suppliers and the United States would be left with the problem substantially unsolved, earning only the ill will of its traditional trading partners and the prospect of retaliation in other trades.

Thank you very much.

Senator BOSCHWITZ. So what should we do?

Mr. FARRELL. In terms of current disposal?

I think if we look at the pie chart, where the production is, where the big markets—the big markets are the EEC, the U.S.S.R. and the United States of America. I think the domestic disposal programs undertaken are clearly a step in the right direction. In the longer term, to bring production and consumption into balance, well, clearly something has to be done either on the production side or on the consumption side.

Senator BOSCHWITZ. Well, I have in mind the visit that has been paid to me by the very competent Ambassador from New Zealand

and I also have in mind the long association not only in trade policy but other policies that our two countries have had; I have in mind that New Zealand has been supportive of the United States in every conflict that we have been engaged in, unlike any other country in the world, other than Australia; and I have in mind our dairy surpluses as well, and we will try and work our way through the various aspects of that and I would perhaps at some other time discuss some of the figures with you and the consumptions that is restricted as you have listed it, and perhaps some of that would be available to American dairy producers too, and not only the unrestricted part of the marketplace.

We have as a final witness in this round Mr. Atkinson of AMPI and, Mr. Atkinson, I will read your entire testimony, I want to hear entirely what you have to say, and I confess to you that if you could summarize it, it would certainly be appreciated.

Mr. Atkinson. Thank you, Mr. Chairman. I intend to just highlight and make some points that I have in my formal testimony, which I understand will be part of the record.[1]

I am with the Associated Milk Producers, which is a milk marketing cooperative—change that from Minnesota to Texas instead of Wisconsin.

Senator Boschwitz. Oh, I noted that earlier.

Mr. Atkinson. I thought you might pick that up, Mr. Chairman.

Senator Boschwitz. AMPI is very active in our State and I have been to some of your facilities.

STATEMENT OF GEORGE D. ATKINSON, ASSOCIATED MILK PRODUCERS, INC.

Mr. Atkinson. A major portion of my career has been in manufactured marketing and I have had an opportunity to observe the EC dairy program and to compete here in the United States with imported dairy products. Coming in from the EC as well as New Zealand.

I might just make a point that the American dairy industry can manufacture product suitable for acceptance in world markets, customizing it to the 82½ percent unsalted natural starters. We have had programs in the past in which we took CCC stocks and exchanged them for a product that was acceptable in world trade. So if there is any concerns on the part of the Congress or the administration that the industry here in the United States can tailor their products or can or cannot, we certainly can tailor them to the world trade.

The dairy stabilization program, which has been in existence since 1949, has been very successful, and it has provided an adequate supply of milk, which is the basic objective that Congress made for this program and we find ourselves in an occasion where we have surpluses due to some diversion of resources into dairy as other agricultural enterprises were depressed. We find oursleves with substantial stocks and this is the purpose of this bill.

I served on the Agricultural Policy Advisory Committee during the last multitrade negotiations and we were extremely frustrated in view of the fact that dairy was asked to make their concessions and open up our markets here in the United States in hopes that if we made these concessions, there would be some concessions for other agricultural and other nonagricultural products in our negotiations. Well, there were substantial concessions on the part of the dairy industry but little as far as other commodities and other nonagriculture items.

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[1] See p. 278 for the prepared statement of Mr. Atkinson.

We unfortunately got little support on this agricultural advisory committee and our cheese quotas were increased double and so this of course helped cause some of our problems.

We have appeared before the ITC and asked for hearings twice, objecting to the importation of casein which is a milk protein. New Zealand is one of the major suppliers of this; it comes in here at about a third the price of our milk solids; the USDA's own study indicated that this did contribute to over $300 million in additional costs to the price support program. We think it is ludicrous that this continues. We have no casein production in the United States because we can't compete with the subsidized casein that comes in from the EC and New Zealand. I would like to—I hope that the Secretary reads this testimony because we contend that New Zealand does subsidize their dairy products. There's an article in Hoard's Dairyman this last issue that points out one form of subsidy. They do use classified pricing; they pool their milk returns and therefore we are not willing to accept that New Zealand does not subsidize their dairy products.

The importation of this milk protein represents about four and a half billion pounds of American—displaces that much of American milk, skim.

So we support this Agricultural Export Equity Act. We think that it is an innovative and imaginative bill on the part of the Chairman Helms and other sponsors, and we think that there is an unlimited market in your—in international trade; however, Russia is a major importer; others behind the Iron Curtain, the Middle East and so forth.

So we think that there are opportunities; we think that the USDA can establish a program that will not seriously reduce price levels in world trade. Then if they follow the programs that they have had in the 1950's and the 1960's, through prudent management, there are opportunities that can benefit both the dairy industry and the revenues for the Treasury and to help market enhancement for other agricultural products.

We think that this stop-and-go situation that we have is unfortunate and it creates uncertainty in world markets, so therefore, we hope that the committee will be successful in convincing Congress to move rapidly and with a great deal of expediency to get this program going.

We believe that there is recognition on the part of Congress and hopefully on the part of our administration, on the part of the STR that the real world is a world of subsidized agricultural trade and we can no longer accept the cries of the EC in New Zealand that it is OK for them to subsidize, but not for the United States.

Our program, our dairy price stabilization program is not one to induce production for world trade but to provide an adequate supply of milk; and once we are over this hump, I believe that we can go back to what the original intent of Congress was as far as the milk price support program is concerned.

I thank you very much, and will answer any questions you might have.

Senator BOSCHWITZ. Well, I think that, Mr. Atkinson, that you have stated the case very clearly. I will read the entirety of your testimony and I will see that I will either summarize it or underline it and send it to the Secretary at your request.

I thank all of you gentlemen for coming and for being patient and call now the last panel, Dr. Kelly Harrison, vice chairman of the board of governors of the American Society of Agricultural Consultants, and executive vice president of Jack Zwick, Inc.; and Arthur Simon, executive director of Bread for the World.

I have some testimony by Dr. Jack D. Early.

Is that just submitted for the record, or is that gentleman supposed to be a witness?

[Brief pause.]

Senator BOSCHWITZ. All right.

Dr. Harrison, I see that you are first in line and that I have your testimony and I ask you to summarize it as well and I assure you that I will read it in its entirety and we would appreciate your going forward.[1]

STATEMENT OF DR. KELLY M. HARRISON, VICE CHAIRMAN, BOARD OF GOVERNORS, AMERICAN SOCIETY OF AGRICULTURAL CONSULTANTS; AND EXECUTIVE VICE PRESIDENT, JACK ZWICK, INC.

Mr. HARRISON. Thank you, Mr. Chairman, I am Kelly M. Harrison. I am executive vice president of Jack Zwick Associates, Inc., a consulting firm that is involved in providing consulting services for international trade and banking, with a special emphasis in agribusiness, consulting and trade issues. I am also the vice chairman of the board of governors for ASAC International, which is a division of the American Society of Agricultural Consultants, on whose behalf I am appearing today.

The society does provide membership that covers a broad cross-section of private individual consultants as well as private consulting firms.

Our members have established a record of improving bottom line performance here at home and, in recent years, have also been increasingly involved in international consulting. For example, a survey of our members revealed that they had been on 127 assignments in 54 different countries during 1982 and well over half of their participation has been on behalf of private firms abroad, 54 percent, to be precise.

This indicates that the professional agricultural consultant has become an important——

Senator BOSCHWITZ. Are you going to make a statement on behalf of professional agricultural consultants? This hearing is not about professional agricultural consultants. I believe that this hearing is about the export bills that have been introduced in this committee and I would appreciate your getting to that.

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[1] See p. 284 for the prepared statement of Dr. Harrison.

Mr. **Harrison**. Thank you, sir.

Senator **Boschwitz**. I will read your statement and I will see that it is entered into the record in its entirety.

Mr. **Harrison**. Senator, sir, if you permit me, respectifully, I think there is a very close linkage between the work of agricultural consultants and the export of agricultural products, and that is exactly the point that I plan to come to.

Senator **Boschwitz**. All rights.

Mr. **Harrison**. We find that agricultural consultants are very much involved in becoming a bridge to the decisionmakers abroad, who are involved in agribusiness overseas. They are where the action is, and they are therefore in the vanguard of efforts to increase agricultural export.

Some claim that this is cause for apprehension, arguing that helping other countries improve their food supply reduces the need for agricultural imports from the United States. Isolated examples, of course, can be cited for that. But we believe that the historical evidence overwhelmingly documents that the U.S. benefits are derived from food system exports overseas.

For example, modern irrigation systems are influencing food production around the world. Agricultural consultants are involved in helping develop those systems and very frequently that leads to the export of seeds and many other products that are the product of U.S. agriculture.

In addition, another example that is very close to home is the example of the broiler industry—the export of broiler production systems. Over the years as it has spread to countries in the industrial world, and has become a major factor in increasing demand for U.S. corn and soybeans, the star performers of U.S. farm exports. Before those corns and soybeans can be exported, Mr. Chairman, someone has to build the production system, the feed manufacturing facilities, and all of the things that have to go into the handling capacity for elevators and port facilities. U.S. agricultural consultants are much involved in that process, and therefore are a key part of the team that expands U.S. agricultural exports.

What we are finding, though, is that there is increasing competition for the provision of those kinds of services, just as there is in the export of wheat flour, as we heard earlier, particularly in some of the countries that have been recipients of the export of U.S. systems in the past.

Many reasons, of course, can be cited, but we believe that key factors are the subsidies and State trading companies and State-supported consulting firms from foreign countries that go in and have their consultants provide those studies, which then lead to the export of their products.

In recent months we have had 32 poultry projects that have been developed in Africa and the Middle East. There is a significant involvement on the part of Europeans in the development of those projects and the United States is finding great competition there.

As a result of the ASAC survey, it was discovered that for each consulting assignment overseas, there is an estimated $8 million worth of U.S. exports that could very well follow that consulting assignment. This leads to a potential of $500 million in exports for only those projects that we had our members report on, and that by no means covers all of them.

Realizing that the export of consulting services breaks the ground in foreign markets for later export of commodities, manufactured products and other services, it is safe to assume that each dollar spent on exporting consulting services generates many, many, many additional dollars on subsequent exports of other U.S. items.

This is recognized by our foreign competitors, and that is why our attention increasingly is being called to the subsidies that are being paid to export their professional services. Therefore, we endorse the objective of this legislation, which not only curtails the use of subsidies in trade but also curtails the use of subsidies in providing, consulting services.

We also recommend that the objective of expanding the export of agricultural commodities and products be broadened to include the expansion of the export of professional services, which we believe is the forerunner, in many, many cases, of the export of those products.

In summary, the high technology food production systems developed in the United States will and should be transferred to developing countries. We have already seen the vast economic benefits derived for the United States from our export of those systems to Western Europe, Japan, Taiwan, and many other countries. The process is started when agricultural consultants export services to design and implement production and marketing projects abroad. It continues with the import of U.S. equipment and management expertise which is the best in the world. And in many, many cases, it goes on with the import of raw materials such as wheat, corn, soybeans, cotton, wool, breeding livestock, seed, and many other raw materials that are most efficiently produced in the United States.

Clearly our competition now believes that involvement in the early planning stages is the key to their success. But there is no secret to that technology. It is essential for modern food systems. It is in the open literature; it can very easily be observed in this country. And now our foreign competitors, with the help of their governments, seem to be doing a better job of selling the food systems pioneered in America.

We therefore urge Congress to broaden the proposed legislation to include agricultural services.

Thank you, Mr. Chairman.

Senator BOSCHWITZ. How do we do that?

Mr. HARRISON. How do you do that?

I think there are a number of ways that it could be done. There are programs already in existence in the U.S. Government that are funded only in a very limited way; for instance, the trade support program at AID provides a very limited amount of funds to help finance the feasibility studies. It can be done on behalf of U.S. investors, with the involvement of U.S. private consultants. The U.S. Trade Representative could take a much more active role in discussions with foreign governments on trade policy, to bring to bear some strategies for reducing the kinds of subsidies that they often use in their activities.

Senator BOSCHWITZ. Did you find any barriers being raised against you, Dr. Harrison, in providing your services in other countries other than the barriers that were created by your competitors' subsidizing their agricultural exports?

Mr. HARRISON. There are of course many countries that do have trade barriers of different kinds. Normally, though, they do not target specifically on agricultural consultants. There are special laws and requirements for registration in many countries. But the major one I think is associated with the subsidies and State controlled consulting firms.

Senator BOSCHWITZ. I ask the question because I am aware that in some countries services are now becoming a very large export and I'm quite aware that some countries are trying to squeeze down our exporter services, and I wondered whether or not any of that has come over in your bailiwick.

Well, Mr. Simon, we welcome you to the committee and ask you to proceed. I have your testimony before me as well and ask you to summarize it as much as you can, but spend as much time as you need to.

STATEMENT OF ARTHUR SIMON, EXECUTIVE DIRECTOR, BREAD FOR THE WORLD

Mr. SIMON. Thank you, Mr. Chairman. I would be very happy to do that.[1]

If you will turn to page 3 of my testimony, I have underlined the main points that I'd like to make here, but I'd like to focus a bit on point 4 here, and reduce everything to one essential point. If I could make note of a typographical error in that paragraph 2 that would be helpful. Three lines from the bottom there that EFSR should really be EEC. It doesn't make much sense as it stands.

It is page 3, paragraph No. 4, point 4, third line from the bottom of that paragraph, in reference to the EFSR should be EEC, and unless that change is made it doesn't——

Senator BOSCHWITZ. What is EFSR?

Mr. SIMON. EFSR is the emergency food security reserve, informally called the international wheat reserve. And that really is the main point that I will make here, that the four-million-ton wheat reserve must be kept intact. We cannot draw down that wheat reserve without inviting real human tragedy in developing countries when severe food shortages hit. We are concerned about that because Senator Boren's bill that was introduced yesterday, S. 575, would draw down up to 2 million tons; that is, half of that wheat reserve, for general export expansion. And if you combine that with the provision in Senator Dole's otherwise excellent bill, S. 17, has on commodity distribution, which also allows a drawdown of up to 2 million tons of that reserve, we could actually wipe out that reserve with these two pieces of legislation. Now, that would be purely and simply a disaster. We must keep that reserve intact. Depleting a reserve in time of food surpluses is precisely the wrong time to draw on that reserve. That reserve should be held for times of famine, of extreme food shortage. To deplete it now would be a giant step backward in world food security.

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[1] See p. 299 for the prepared statement of Mr. Simon.

Senator BOSCHWITZ. I am not familiar, Mr. Simon, with how that reserve has been used in the past. When was it established? We don't know the history of that reserve. I came here after it was established.

Mr. SIMON. It was established in 1980 as a companion to the farmer-held and farmer-owned grain reserves to function in effect as a kind of an insurance policy, a famine prevention reserve, if you will, by providing a backstop in the form of assistance to assure that U.S. Public Law 480 food aid can continue to go abroad where it is needed, critically, when severe shortages develop and when the price of grain is extremely high.

Now, I can illusrate this and the point I am making with one story or one piece of evidence.

Back in 1974, during the height of the world food shortages, in November of 1974, the United Nations held the World Food Conference, which I am sure you recall. Senator Bob Dole of this committee was the leader of the U.S. delegation to that conference; and in response to the critical situation in many developing countries, Senator Dole on behalf of the delegation cabled the President urging that the United States supplement its already legislated Public Law 480 food assistance with an additional emergency supply for those countries. That request was turned down. The administration simply felt that it was under too much pressure to go to Congress to ask for more money for that purpose. And what had happened was that between 1972 and 1974, precisely as the food situation became extremely acute in the world and when more food aid was needed, the U.S. food assistance dropped by more than two-thirds. It is that kind of situation that this four million ton wheat reserve is intended to prevent.

We must keep that reserve intact or we are inviting, literally, the deaths of hundreds of thousands and perhaps millions of people who run into that situation again. We must assume that that is a very highly probable eventuality.

Now, I am suggesting what we should not do. We should not deplete that reserve. I have also suggested a couple of things that should be done.

My point is that if the Congress wishes to assist in meeting the needs of the hungry people in developing countries, among the things that could be done, is that it could provide for some small-scale reserves in the developing countries. In that connection I would like to mention that a bill that Senator Dixon of this committee has just introduced, S. 490, especially section 3, is important to us and we would like to encourage its adoption. Section 3 of that bill deals with food for development programs and would provide for some small-scale reserves and efforts to prevent postharvest losses.

So there are things that Congress can do. It does not need to dip into this reserve if it wants to promote export expansion. It can and it should simply go to the market and buy direct from the market or redeem from expected loan forfeitures. Keep that reserve intact. It is much too important.

Senator BOSCHWITZ. Mr. Simon, I find it very tempting to distribute some of the surpluses that we have to people around the world and I am not quite sure how to achieve that. I believe that sometimes brings about other ancillary types of problems and I hope that you will talk to my staff particularly about any means that you would see of equitably, efficiently, and effectively distributing some of our food surpluses without upsetting the world markets and without upsetting the markets in the countries to which they would go. Thereby, perhaps, undermining production within those counties; because as we have heard, whether it be on rice or milk or any food commodity, the vast majority, in excess of 90 percent, is consumed in the country in which it is produced and we don't want to undermine the 90 percent in trying to meet some of the needs that are not being met. So I would very much invite you to come see us and talk initially to my staff and see if we can't find a means of distributing some of the surpluses to people who need it, because quite obviously there is a certain almost immorality that associates itself with food surpluses that are going to waste.

Mr. SIMON. I would be happy to do that and I would appreciate your point. I agree with it completely. We have to be very careful about unloading food surpluses in developing countries because too often it has undermined local farmers and serves as a disincentive to agricultural development, which is precisely what we do not want to happen.

Senator BOSCHWITZ. Well, I thank you gentlemen for coming, Dr. Harrison and Mr. Simon.

[Whereupon, at 1 p.m., the committee adjourned, subject to call of the Chair.]

APPENDIX

[The following material was submitted by Senator Helms, see p. 4 for oral reference:]

[Reprint from the Wall Street Journal, Jan. 24, 1983]

ACROSS THE FENCE—WHEAT GROWS THE SAME IN KANSAS AND FRANCE, BUT NOT THE SUBSIDIES

EUROPEANS' EXPORT AID IRKS U.S. FARMER; FRENCHMAN SEES HUNT FOR A SCAPEGOAT—THE THREAT OF A TRADE WAR

(BY JEFFREY H. BIRNBAUM)

Driving past seemingly endless fields of winter wheat near Escorpain, France, Guy Barret recalls with a laugh the time after World War II that his bread turned yellow.

Even in the Beauce wheat region southwest of Paris, the French farmer says, production was so low that millers relied on America for grain. Apparently through a mix-up, the U.S. once sent corn instead of wheat, and bakers had to make do. "Corn bread was unusual for the French." Mr. Barret says. "but we were happy we could eat."

He needn't worry about having enough wheat anymore. France and the nine other members of the European Community now make up the world's third-largest exporter of the grain, after the U.S. and Canada. Blessed with high yields and aided by both internal price supports and export subsidies, European farmers have begun to erode U.S. hegemony in agricultural trade.

The trend doesn't please Robert Huser. Chatting across the kitchen table of his modest farm home in western Kansas, the American wheat grower speaks with envy and anger about the rise of the European grain farmers. "We've helped improve their standard of living at our own expense. I resent it," he says. "It isn't right that we sit by and let them take our markets; we should fight back."

INTERNATIONAL DISPUTE

With wheat's price determined in a global marketplace, farmers Huser and Barret worry almost as much about each other's trade positions as about the weather. A world-wide glut of farm products is depressing prices and causing grain-exporting countries to battle for the business of paying customers. Nowhere are these skirmishes more intense than between the U.S. and the Common Market, and their dispute threatens to erupt into a multibillion-dollar trade war.

Last week, the U.S. fired a warning shot at the EC. By subsidizing some wheat flour going to Egypt, it displaced sales traditionally made by European countries, especially France, and demonstrated resolve to force the EC to drop its subsidies. In the meantime, the two sides have begun formally discussing their differences.

So far, neither appears inclined to budge. The U.S. is insisting that the Europeans agree to phase out export subsidies; the Europeans reply that, because of high internal price supports to raise production, the EC farmers couldn't export any grain at all without the subsidies (called "restitutions") to bring down the price at which it is offered for sale. The Common Market prefers a formal dividing of markets, but the U.S. rejects that idea.

"We will never abandon restitutions as long as world prices are so low," declares Jean-Clause Clavel, an officer of the French Chambers of Agriculture. But in Washington, Leo Mayer, the associate administrator of the U.S. Foreign Agricultural Service, warns: "It's either they join us in a fairer trading system or we join them in a subsidy approach."

FIELD REPORTS

Visits to Mr. Barret's farm near Paris and to Mr. Huser at his place in Kansas reveal some of what lies behind this sharp dispute between America and its European allies. But the visits also show that the two wheat farmers have much in common.

Farmers on both sides of the Atlantic have been hurt by the world-wide economic recession, especially the Americans. Asked what question he would want to pose to Mr. Barret, Mr. Huser, exaggerating a bit, asks, "How does it feel to get $6 (a bushel) for your wheat? How would you like to sell it for $3 like me?"

During an interview the next week in his oak-beamed study, Mr. Barret replies that he certainly wouldn't want to get $3 instead of the $5 a bushel he actually receives. But he adds that, like the American, he is finding his profit margins narrowed by rapidly rising expenses. The French, who grow about half the Common Market's wheat, note that American farmers also get a great deal of government aid, and they say the U.S. groundlessly blames the Europeans for problems its own policies have caused.

Mr. Barret, his brown eyes flashing, scrawls two words on a visitor's note pad that he says sum up how Americans treat the EC: "Bouc emissaire," he writes, and then translates: "Scapegoat."

The French farmer and his American counterpart raise their wheat on very different land. The 41-year-old Mr. Huser operates a 4,000-acre farm on the windy flatlands outside tiny Syracuse, Kans. The land is scattered in quarter-mile-square tracts over dozens of miles of treeless countryside, a long gravel-road drive from his home.

The area, the heart of the Dust Bowl of Depression years, gets an average of just 16 inches of annual rainfall. Rain is so scarce that Mr. Huser plants only half his land each year leaving the rest to accumulate moisture for the following season.

In France, Mr. Barret's more compact 550-acre farm consists of fields clustered around his old stone farmhouse and barns. In contrast to wide-open Kansas, his red-clay land rolls slightly, the fields interrupted by an occasional clump of trees. the soil is rockier, heavier and inherently less fertile than Mr. Huser's, and there is one other big difference: "We have plenty of rain," Mr. Barret says. "Too much sometimes."

The rain helps push his per-acre wheat yield far above the Kansan's. The European Community, with only 40.5 percent as many wheat acres as the U.S., is expected to produce 78 percent as much wheat in the current crop year, averaging some 68 bushels an acre to the Americans' 35½ bushels. Besides rain, heavier fertilization contributes to Europe's yields, as does the use of more-productive wheat varieties (which Americans say are of lower quality).

Despite these differences, the farming methods Mr. Huser and Mr. Barret use are remarkably alike. Each has an array of big disks, grain drills and other modern equipment, and each man's largest tractor is a four-wheel-drive John Deere, with 16 gears, air conditioning and a radio. Mr. Huser's is a year newer and slightly more powerful, but then his brother is the local Deere dealer.

Both men also inherited some of their land from their fathers, and both later expanded significantly, mostly through renting. Today both farms are more than twice as large, yet don't carry as much debt, as the average commercial wheat farm in their countries.

"There has been a leveling of the difference" between American and European farming practices, says the 56-year-old Mr. Barret, who as a young man visited the U.S. to study farming. "In this region," he says, "we are able to produce wheat at the same price as the American farmer."

But he isn't paid the same price for it. Although both Mr. Huser and Mr. Barret benefit from government price supports, such supports bring the American's wheat price to only about $3.40 a bushel but raise the Frenchman's to about $5.

DIFFERENT POLICY

Europe offers such generous supports as part of an agricultural policy aimed at keeping farmers on the land. Officials argue that the EC needs higher commodity prices than the U.S. because, with smaller farms, European farmers need to earn more on each bushel. As for the current plight of American farmers, Mr. Barret says the U.S. government is at fault. "In Europe, we need a certain independence in our food production," he says in excellent English, "So we cannot be as hard on our farmers as the Americans are on theirs."

To prop European farmers' wheat prices, the EC sets an "intervention price" and agrees to pay that much for any wheat that doesn't sell for that figure on commercial markets. As a result of this support, Mr. Barret can usually get close to the intervention price at his local elevator. Farmers who are farther from transport centers and have higher shipping costs may have to be paid directly by the government.

Having pushed internal prices this high, however, the Common Market must bring them down again for any wheat it hopes to export. It must bring them into line with the world market price, which is dictated by the dominant U.S. price. As an example, last September, EC wheat farmers were getting $5.27 a bushel, and transportation costs raised this to $6.06. An EC subsidy of $2.53 a bushel then brought the export price down to $3.53, closely matching the $3.45 that U.S. farmers were getting for each bushel.

Such export subsidies consumed nearly half of the Common Market agricultural budget of $12.35 billion last year. What further upsets U.S. farmers is that part of the cost is made up through import levies, which raise the price of about half of farm products imported from the U.S. to at least the European internal price. France, despite its high wheat production, imports some of the harder U.S. wheat to blend with its own in bread; but when the American wheat arrives it is socked with an import fee of $3.50 a bushel.

U.S. SYSTEM

Mr. Huser, in Kansas, hasn't anything equal to this export-subsidy system behind him, but he does get a lot of aid from his government. Last year he received $68,760 of government support, including a partly interest-free loan for putting 18,000 bushels of wheat into a three-year grain reserve. His benefits included $14,000 in direct payments, representing the difference between the price he could get for wheat and a national target price set by Congress.

"I don't cherish going down there (to the local Agriculture Department office) to pick up what some people call my welfare check," he says. "But you've got to make a living."

The 5.8 million U.S. farmers of all types got $1.49 billion in direct payments and $11.36 billion in loans from the federal government last year. This year they are expected to receive at least that amount, and perhaps more, as huge crop surpluses continue to depress prices below support levels. To reduce the glut, the government is offering to pay farmers—in cash and grain or cotton—for idling large tracts of cropland.

Although he would rather the government stay out of his life, Mr. Huser already has left big strips of black soil unplanted in order to be eligible for such payments. "It's disheartening," he says. "But we just can't sit around with that much wheat on hand and expect the world price to rise."

EMBARGO BLAMED

Despite the costly government price supports, Mr. Huser blames Washington for the low wheat prices that have flattened his income in recent years. He says the 16-month Soviet grain embargo of 1980–81 and last year's gas-pipeline sanctions cost have induced the Soviet Union, a major grain importer, to buy from countries other than the U.S. when possible.

U.S. officials note that the strong dollar hampers grain exports, and so do the credit terms offered by other countries. For instance while the U.S. declines to help Moscow pay for wheat, Canada last year authorized its wheat board to extend up to $1 billion in export loan guarantees to the Soviets.

The American officials say European Community subsidies helped close the Middle East as a market for U.S. poultry and hurt U.S. wheat sales to Morocco, Brazil and Russia, among other countries. Mr. Huser notes that two of every three bushels he grows must be sold into a shrinking world market. Just that morning, he tells a visitor, he was disturbed by a radio report of a French wheat sale to the Third World, the only major growing market for U.S. farm products. "That hurts us," he says.

EC officials prefer to take a broader and longer view. They point out that the Common Market exports only about one-third as much wheat as the U.S. the world's largest exporter. In addition, in their view the internal government aid U.S. farmers get amounts to a kind of de facto export subsidy. And the Europeans note that the U.S. has begun to regain some markets, such as Morocco, with a credit program blending U.S.-backed commercial loans with zero percent government loans.

President Reagan recently said he would expand farm export-credit subsidies to $250 million this year from $100 million, and he has signed a bill sharply limiting a president's ability to impose foreign grain embargoes. The U.S. also has threatened to put pressure on the EC by dumping surplus butter on the world market or giving some surplus grain to countries that increase their buying of American farm products. Mr. Reagan recently said Europeans "should know we are pursuing all avenues for redressing unfair trade practices."

At his French farm, Mr. Barret says strong countermeasures by the U.S. could lead to a debilitating trade war. He notes that the EC buys more farm products from the U.S. particularly soybean and corn products, than vice versa, and he suggests that "the U.S. has more to lose than gain in a trade war."

Some Americans say the trade war already is under way and, except for the subsidized flour sale to Egypt the U.S. has been retreating. While some American officials resist additional subsidies, most believe that the EC export subsidies must be stopped. Congress is particularly disposed to fight back.

Voicing the prevailing view, Frank Padovano, a U.S. agriculture offical based in Paris, says of the Europeans: "They're big boys now, a major player, and they've got to take some responsibility" in world trade.

Events in coming months aren't likely to ease the transatlantic quarrel. EC farm exports, including wheat, are expected to decline. But neither Mr. Huser in Kansas nor his counterpart in France sees prices rising much this year; Mr. Barret worries that the EC might scale back its support prices because of political and economic pressures. Thus, the two farmers have one more thing in common: Both describe the near future with a single word—"gloomy."

[Reprint from the Wall Street Journal, Feb. 7. 1983]

LETTERS TO THE EDITOR

THRASHING OUT THE U.S.-E.C. WHEAT SPAT

I read with interest your page one article of Jan. 24 on the U.S.-European Community friction over wheat production and trade subsidies. Mr Birnbaum did a good job of describing the forces which have led us to our current confrontation.

There is, perhaps, a solution to the central problem. Under the current policies in the E.C. all grains, whether imported or domestically produced, are sold at artificially high prices to processors, livestock feeders and other grain users within the Community. This high front-end cost is passed through the food system and is ultimately absorbed by the European consumer in the form of higher food bills. A recent study in the 1982 Yearbook of Agriculture showed that the average American spent 19 percent of disposable after-tax income on food while average U.K. consumers spent 25 percent to 27 percent.

As Mr. Birnbaum observed, this is not the end of subsidy costs to the European taxpayer and consumer. Surplus production is then subsidized to allow it to be sold in export markets. This is also quite costly.

There is an alternative approach which would reduce costs to the European consumer, maintain needed subsidies to farmers and provide a fairer trading system for the U.S. and other suppliers involved in world markets. The E.C. could allow wheat and other commodities to be bought and sold at world prices within the Community and simply pay the farmer directly the difference between world prices and whatever internal support price is deemed necessary to maintain food security. This would have a favorable impact on consumer prices and would remove the need to subsidize European products to move them into world markets.

The E.C. will export at least 14 million metric tons of wheat this year while they were net importers 10 years ago. This has had a disruptive effect on traditional trading patterns for this commodity in world markets. Sooner or later, the E.C. will have to come to grips with the chronic excess production their policies have triggered, not only for wheat, but also for dairy products, sugar and other commodities. Setting production targets and subsidizing farm prices only up to those levels would be one of the simplest ways to defuse both the internal and external pressures the Community is facing.

JEFF IDLEMAN,
Division of Marketing,
Illinois Department of Agriculture.

Springfield, Ill.

[Reprint from the Washington Post]

Farm-Export Aid Gains Urgency—Congress May Risk Trade War To Bolster Markets

(By Ward Sinclair, Washington Post Staff Writer)

The near-depression on U.S. farms has produced a frenetic effort in Congress to enact new credits and subsidies and sell more U.S. farm products overseas, even at the risk of starting a trade war.

The House and Senate Agriculture committees have scheduled hearings for this month and March to deal with several dozen proposals, all aimed in one way or another at bolstering sagging U.S. farm exports and recapturing markets lost to competing nations.

Ideas in the works include giving federal crop surpluses, free, to food processors who in turn would sell their cheaper, subsidized goods overseas; below-cost sales and gifts of U.S. surpluses abroad; expanded credit programs to make it easier to buy American.

Farm trade groups, such as those representing poultry, soybean, grain and vegetable producers, are lining up on Capitol Hill to ask for the subsidy help. And many farm-state legislators, talking even tougher on the trade issue than Agriculture Secretary John R. Block and the administration, are in a mood to provide it.

Block, while warning against an agricultural trade war over protectionist policies, has pursued negotiations with U.S. trading partners and held out the threat of retaliatory action if changes don't come soon from Europe, Japan and South America.

But patience in Congress is waning, and there are aggressive calls to make it plain that this country does not intend to be pushed out of the world markets that U.S. farmers increasingly have considered their own.

Senate Agriculture Committee Chairman Jesse Helms (R-N.C.), for example, said last week that "predatory" subsidy policies of the European Economic Community (EEC) have created an "intolerable" situation for U.S. farmers that must be corrected by Congress.

"We must be prepared to draw the line here and fight fire with fire," Helms said. "I hope it won't be necessary, because there are no winners in a brawl, economic or otherwise."

Block pleased legislators and farmers and stunned EEC officials last month with a dramatic first step. His negotiators agreed to give 30 million bushels of U.S.-owned wheat to processors, who in turn would sell 1 million tons of low-cost flour to Egypt. The lower-cost flour will allow the United States to recapture the world's largest flour market from the EEC.

That message to the EEC will cost U.S. taxpayers more than $100 million, but many farm-state lawmakers feel that ought to be just a beginning.

Helms will hold hearings this month on a variety of trade bills, including his own, which would require, among other things, the annual overseas sale of 150,000 tons of surplus U.S. dairy products at prices lower than paid by the Department of Agriculture.

On the House side, the Agriculture subcommittee chaired by Rep. George E. Brown Jr. (D-Calif.) plans hearings in early March on the increasingly controversial farm trade issues. "Trade is going to be the No. 1 issue around here this year, and "the bills are coming in all shapes, forms and sizes," said a Brown aide.

Pending House and Senate measures propose different types of export credit guarantees, more federal spending on market development, giveaways of surpluses as "bonus" incentives to regular purchasers of U.S. farm commodities. And the Helms type of export subsidization, guaranteed to draw cries of foul from foreign competitors, shows up in other legislative proposals. Some examples:

One, part of a broader measure offered by Sen. Mack Mattingly (R-Ga.), would give surplus federal corn at no cost to poultry producers to raise more (and cheaper) broilers for sale in overseas markets lost to countries that subsidize their producers.

Another, pushed by Sens. Thad Cochran (R.-Miss.) and Walter D. Huddleston (D-Ky.), would give other surplus federal commodities, cost-free, to food processors, including the meat industry, to mix with their own commodities in preparing items for the export trade. The theory is that with lower production costs, processors' overseas prices will be more competitive, sales will climb and jobs will be created here.

Still another is expected to be offered by Rep. Tony Coelho (D-Calif.) to provide special breaks in international trade to the wine-grape industry, raisin producers and farmers who grow artichokes and other specialty crops, mostly in California.

Other legislators, such as Rep. Cooper Evans (R-Iowa), a farmer himself, are advocating other, nonlegislative approaches. Evans recently returned from Nigeria, where he urged officials to consider entering into "countertrade" arrangements that would provide U.S. grain for Nigerian oil.

"I don't like to call it barter," Evans said, "but there is great interest in exploring arrangements along these lines. . . . It requires no legislation, and there are lots of companies in the United States that want to do it."

A large part of the new congressional concern about agricultural trade stems from this country's problem of surpluses, coming from two straight bumper-crop years, and the depressed economic state of American farming, with prices staying low and fears of widespread bankruptcies plaguing farmers.

But another part stems from the relatively recent realization on Capitol Hill that world markets that were dominated for more than a decade by highly productive and efficient U.S. farmers no longer "belonged" to them exclusively.

The EEC, for example, with its system of heavy subsidy to its farmers and restrictive levies on certain food imports, in recent years has become a net exporter of grains, sugar, poultry, beef and other products. The EEC, Canada and Argentina have cut into U.S. wheat sales. Brazil offers new and major competition to U.S. soybean farmers.

In the face of the growing competition and sagging world demand, U.S. farm exports last year declined for the first time in 13 years. Alan T. Tracy, a deputy undersecretary of agriculture for international affairs and commodity programs, is predicting that exports probably will go down again this year by as much as 4 percent, to $37.5 billion.

Part of the decline is attributed to recession and weaker demand; part to the dollar's strength, which makes U.S. goods less attractive in foreign markets, and part to growing competition from nations whose farmers are subsidized more heavily than American counterparts.

"We don't think the American public wants the government to sit by while our farm exports suffer," Block told Congress recently. "Every American has a stake in our farm exports, since those exports create a favorable balance of agricultural trade that compensates for our deficits in industrial trade."

"Every $1 billion of agricultural trade creates an additional $1 billion of U.S. economic activity; that means jobs—35,000 jobs for each additional $1 billion in exports," Block said. "The wheat-flour sale [to Egypt] will generate $850 million in additional economic activity and create jobs for over 9,000 people."

Added Rep. Evans: "There is great concern among us farm-state legislators, but there's also a real optimism. We're doing the right thing on several counts. . . . But the world is more competitive now, and we've just got to work harder at this."

TRADE ISSUES CONFRONTING THE ATLANTIC ALLIANCE

Address by U.S. Senator Jesse Helms, Chairman, U.S. Senate Committee on Agriculture, Nutrition, and Forestry and Ranking Member, U.S. Senate Committee on Foreign Relations—Before the Swiss-American Chamber of Commerce, Guildhouse zur Meisen, Zurich, Switzerland, November 24, 1982

I am grateful for the hospitality of the Swiss-American Chamber of Commerce, and feel honored that so many of you would give of your time for this visit with me today.

The General Agreement on Tarriffs and Trade—the GATT—was established as one of the foundation stones of the Atlantic Alliance. And, its efforts to achieve a more open world trading system have made the GATT one of the crowning achievements of that Alliance.

It encourages me, and I hope it encourages you—not only as leaders of the West, but as practical businessmen—that the GATT structure has so much potential to assure comity in the trading relations of nations. Indeed, the continuing efforts to assure open and fair trade are vital to economic growth and prosperity in the West today.

It is this week's meeting of the trade Ministers of the GATT member nations that has brought me to your country. It is my hope that the Western Alliance will continue the benefits of the open trading system we have established together. I appreciate the unique opportunity your invitation affords me to discuss with you my earnest concern that urgent action must be taken to redress significant deterioration in the trade relations between the European Economic Community and the rest of the world. Of course, Switzerland is not a member of the European Economic Community, but without question the Swiss-American Chamber is an appropriate forum to address international trade issues. However, if we fail to set the stage for the resolution of fundamental differences in trade issues at the GATT meetings in Geneva, the survival of the GATT process—as we know it—may be in jeopardy. Failure of the GATT will certainly have an adverse impact on the entire Atlantic Alliance.

Specifically, and in all candor, I must counsel that the export subsidies inherent in the present modus operandi of the European Economic Community's common agricultural policy—the C.A.P.—are destructive to vital American and western interests.

There is a growing frustration in the U.S. agricultural industry that the EEC Agricultural export subsidies have become destructive to world trading interests. Again being candid, I must observe that many Americans view these subsidies as intolerable. Now, intolerable is a strong word with far-reaching implications. It conveys a sense of commitment to do whatever is necessary to rectify the problem; or failing that, to make EEC policy makers wish they had rectified the problem. I earnestly hope that these policy makers will understand that I use the term advisedly to communicate just how strong the consensus is growing in the U.S. Congress that bringing an end to export subsidies in general, and to agricultural subsidies in particular, is of highest priority.

I realize that this is not the first time that this complaint has been made by someone from the United States. Spokesmen representing the United States at the GATT meetings in official capacities have frequently mentioned the strong U.S. objection to the use of agricultural export subsidies—officials including not only Ambassador Bill Brock but Agriculture Secretary John Block. President Reagan has himself addressed the issue unequivocally. However, the continuing and increasingly pernicious application of such export subsidies indicates that scarcely aynone on the European side of the Atlantic seems to understand the message.

If the international trading system is to function efficiently and equitably, the use of GATT mechanisms and rules to resolve disputes among member nations is preferable to any unilateral action which aggrieved parties may feel compelled to take. Indeed, it is my understanding that the U.S. Government is committed to the continuation and strengthening of the GATT multilateral process. However, it is the duty of any sovereign people to use other policy instruments if multilateralism fails, or if it proves insufficient to redress matters of vital interest to that people.

I would stress that I cannot and do not represent my sentiments as a formal U.S. position on any of the issues before the GATT Ministerial. But, my reading of the situation is that many in the U.S. Congress will regard the failure of the GATT to make substantial progress in resolving the predatory use of agricultural export subsidies as sufficient grounds for taking unilateral actions outside the multilateral process.

There are those of us who are most interested in trade issues involving agriculture—and one must keep in mind that means virtually every one of the 100 U.S. Senators, because each Senator has an important agricultural constituency. If my reading of the situation is correct, unilateral actions to protect vital U.S. interests are very likely to be mandated by Congress. I would emphasize that this would leave little, if any, discretion on the part of the U.S. Executive Branch. I will detail a few of the specific actions you might expect to see in coming months. But first, allow me to explain just why the agricultural issues are so especially sensitive to Americans.

First of all, agriculture and related industries account for approximately 20 percent of the U.S. Gross National Product; and, with more than 15 million people working in the agricultural industry, it is America's largest employer.

Second, it is anticipated that net farm income will decline for the third consecutive year in 1982. Since 1979 farm income has plummeted almost 30 percent—from $27 billion to $19 billion in 1982. Record breaking crops of wheat, feed grains, soybeans, and very large rice and cotton crops, resulting from incredibly favorable weather, have combined with sluggish economic growth worldwide to bring about this loss of income. In the face of these conditions, and a worldwide surplus of virtually every commodity, export subsidies have had a particularly pernicious effect on the economic well-being of U.S. farmers.

Third, U.S. farmers have demonstrated their willingness to take responsible, strong, and effective steps to resolve the problem of over-supply by reducing acreage for the 1982 crops. Forty-eight percent of the wheat acres and 28 percent of the corn acres in the United States were in compliance with the government's acreage reduction program. However, in spite of the reduction in acreage in 1982, the incredibly favorable weather conditions caused actual wheat and course grain production to increase by one percent.

Because of this unanticipated over-supply, an effort to induce even greater participation for the 1983 crops was undertaken by Congress—this time even to include advance payments for participation. These acreage diversions and prepaid deficiency payments will cost the U.S. taxpayers $2.4 billion in 1983.

Fourth, on top of all this, the United States now has 25 million tons of wheat and 34 million tons of corn in its reserve stocks. For fiscal years 1982 and 1983, the cost of the reserve program is estimated to be $10 billion.

There is an increasing consensus in the United States that competitor nations have not acted responsibly in the face of a worldwide glut in these crops. Harvested acreage for wheat and feed grains is estimated to have increased 3 percent in Canada and 8 percent in Argentina for 1982. Although the harvested area in the EEC is estimated to have increased by only one-half of one percent, the fact that there was any increase indicates an unwillingness to restrain production.

The increase in EEC support prices in the Spring of 1981 was particularly disappointing. The United States was led to believe that the EEC leaders were going to commit themselves to adjust support levels to world price levels. Instead, the EEC intervention and target prices were increased between 6 to 9 percent, thereby inducing even greater production from European farmers. Of course, U.S. price supports were increased too, but U.S. increases were accompanied by the measures to reduce production and isolate some of the production from the market that I have just described.

These lowered world prices are not the result of basic economic forces—the fundamental laws of supply and demand—but of deliberate government policies and artificial interventions.

Those of you in businesses other than agriculture know that you could not operate profitably if you faced such predatory practices. Farmers in the United States and other countries are no different—which makes absolutely compelling the need to keep faith with the fundamental principles of open trade. Of course, it is vital for any nation's interests to assure a reliable food supply—even at the expense of efficiency and a completely open trading system. Having conceded that, however, it needs be said that most trade distortions and government interventions that now exist in agricultural trade have not come about because of genuine fears regarding nation sovereignty, but because of a lack of political will.

Over the past decade, the United States has made great strides in scaling down government intervention in the market. For the most part, today the U.S. agricultural sector is structured to adjust with reasonable dispatch to the international market. In contrast, the EEC has moved steadily in the other direction: It has continued a policy of high prices and variable levies that have discouraged imports, dampened internal consumption, and insulated its member countries from adjustment to the international market. Over the past decade, the EEC not only has achieved self-sufficiency but has also become an aggressive exporter of agricultural commodities—all with the use of massive subsidies.

The high direct subsidies granted to most EEC agricultural producers are not accompanied by effective production controls, and thus have generated great expansions in agricultural production. The growing production surplus first displaced imports, but recently the excess has been disposed of increasingly through subsidized prices on the international market. Thus, the EEC's share of world wheat and exports rose from 5 percent in 1968 to almost 15 percent in 1981; its share of beef and veal exports rose from 2 to 19 percent; its share of sugar rose from 6 to 16 percent; and its share of poultry rose from 14 to 22 percent.

In 1982 the EEC has responded to the turndown in economic activity and the crop glut with substantial price increases which can only give additional strong "all out" production signals to its farmers. It is also moving aggressively to push its subsidized exports, as indicated by the recent sale of wheat flour to Chile at rates lower than domestically produced Chilean flour. This subsidized price not only undercuts Chilean mills but also U.S. wheat farmers, who in recent years have shipped about one million tons of wheat to Chile per year.

Acceptance by the United States of the current situation would signal that it was willing to shrink its agricultural base permanently, a result clearly against its economic interests. And it is particularly unacceptable when brought about by trade practices which defy the logic of the market and obstruct the free flow of trade in violation of the spirit and intent of the GATT.

It is my assessment that the Congress of the United States will move directly and deliberately to force a resolution of these subsidy issues.

Already there have been enacted into law two "Helms Amendments" designed to "fight fire with fire". In 1981 Congress enacted specific provisions to refine and strengthen the discretionary authority for the U.S. Government to employ subsidies on U.S. agricultural exports so as to neutralize the effects of other countries export subsidies. This year the Congress mandated the expenditure of up to $190 million a year for three years for that purpose. Each of these actions is a measured step designed to communicate to those who employ agricultural export subsidies that we will not sit idly by while such predatory activities impoverish U.S. agriculture.

In speaking with a number of EEC Trade Ministers this week, I have sensed that our efforts have not been sufficient to communicate just how intolerable the EEC export subsdidies are to us. This is the feeling shared by a number of other members of the U.S. Congressional delegation at the GATT Ministerial. So, I believe a variety of specific actions are likely to be forthcoming. I think I should list a few of the kinds of actions that might occur.

First, the U.S. Department of Agriculture has used only $100 million of the $190 million required by the Congress—and it has decided to use the funds in a very modest way. The remaining $90 million for 1983 could be used more aggressively. And, I would expect even more potent use of the $190 million in 1984 and 1985 if substantial EEC policy changes have not been effectuated by that time.

Second, I would expect to see even greater amounts of dollars spent for this purpose of fighting "fire with fire". We have a three trillion dollar economy and if necessary the Congress may very well commit many hundreds of millions of dollars—perhaps billions of dollars—for this purpose. This is particularly so because of peculiarities in our budget process which will actually attribute overall savings—that is, overall reductions in spending—if we can demonstrate additional sales from the use of U.S. export enhancement subsidies.

Third, the United States has volumes of milk products that have accumulated from the operation of our dairy price support program. Now, we're talking about almost a billion pounds of cheese, half-a-billion pounds of butter and a billion-and-a-quarter pounds of non-fat dry milk. I can visualize a significant percentage of this moving into the world trade at world prices. If all of it were moved, it would be equivalent to about $1.3 billion in U.S. export subsidies.

Fourth, intolerable predatory trade practices that have the effect of impoverishing U.S. farmers can only exacerbate the already increasing debate about the incredibly huge U.S. defense outlay allocated for meeting our European defense commitments. As you know, U.S. taxpayers spend about $170 billion annually to structure the U.S. Armed Forces to meet these commitments. A recent 12 to 1 vote in the Senate Appropriations Subcommittee on Defense to reduce U.S. NATO troop strength is a very real expression of the sentiment in the Congress that I am trying to bring to your attention.

Now, I say these things not to be an alarmist, but to sound a fair warning. I believe we can resolve the subsidy problems I have described—but it won't be accomplished at the present pace. Certainly it is in the interest of the West that we resolve these problems without confrontation—and I believe they can be resolved. The recent agreement on steel subsidies and imports is a very encouraging example of how really tough problems can be worked out.

So, that is why I am urging the EEC to return to the fundamental principles of fair and open trade-principles that are the very foundation of the Atlantic Alliance. My message to you is that it will be disaster for everyone if we fail to abide by those principles.

[Reprint from the New York Times, Dec. 5, 1982]

THE E.E.C. CAN'T PLOW US UNDER

(By Jesse Helms)

WASHINGTON.—If the United States achieved anything substantial at the conference of the General Agreement on Tariffs and Trade in Geneva, it probably falls under the category of reminding the European Economic Community that its "right" to swing its agricultural-subsidy fist ends at Uncle Sam's nose.

Nobody in Congress more strongly rejects protectionism than I do. Open and fair trade is essential. But the key word is "fair."

The European Economic Community might as well understand, now, that Congress won't stand idly by in the face of predatory trade practices by the E.E.C.—or anybody else—that undermine the American farmer.

Let's be frank: The situation is intolerable. As a Congressional spokesman on agricultural matters at the GATT conference, I made it clear that Congress is willing to do whatever is necessary to change things.

For a great while, America complained to the European Economic Community about its agricultural-trade practices, but we tolerated the situation because our agriculture was not highly dependent on foreign markets, and the Community was not a major competitor.

But by the mid-70's, the situation had changed, and today our farmers, now highly dependent on foreign customers are suffering through their third year of severely depressed commodity prices. America possesses enormous stocks of surplus farm commodities. Yet our farm exports are declining for the second straight year. And, through the use of predatory export subsidies, the E.E.C. has gone from being a net importer to a net exporter of grains, beef, poultry, sugar and other commodities.

America would have no legitimate complaint if the Community had gained these markets fairly. It has not. American farmers are the most productive and most efficient producers of most commodities. They hold a natural comparative advantage on the world market. The Community can export its farm products only with the use of large-scale subsidies that undercut the prices of all competitive countries.

The Congressional delegation's message in Geneva was that these predatory subsidies are unacceptable. We asked for establishment of a panel to undertake a work program aimed at reducing them.

But the European Economic Community's own delegation stubbornly refused even to discuss the question of subsidies or to agree to later discussions aimed at their elimination. GATT's final communiqué committed the signers only to "resist" application of new protectionist measures. And the Community's delegation announced later that the Community would not be bound even by that watered-down statement.

America's Special Trade Representative, Bill Brock, finds some comfort in the fact that the world trade system is still intact, despite overwhelming economic and political pressures. But in the area of agriculture, the communiqué fell far short of reflecting the basic agreement necessary to preclude Congressional action.

Sadly, the prospect of reaching a fair, rational agreement has gone by the board. Thus, Congress must take decisive steps to counter subsidies and give our farmers a fair shake. We must not, of course, engage in the kind of protectionism that constitutes restraint of trade. But GATT teaches us that action is warranted.

First, the Reagan Administration should fully use the remaining $90 million earmarked to enhance agricultural exports in fiscal 1983 and made available by an amendment to the 1982 budget reconciliation act. The money can provide direct and credit subsidies to offset predatory practices.

Second, Congress should encourage Secretary of Agriculture John Block to consider releasing surplus dairy products into international markets. This would clearly signal our resolve—and also relieve the taxpayer of the cost of carrying these stocks. This should be done, to the greatest extent possible, in a way that protects countries that have supported and encouraged free, fair trade.

Third, Congress should mandate that the proceeds from the sale of these dairy products be used for additional measures to export farm products.

Fourth, it is time to re-evaluate the criteria for dispensing United States Treasury benefits overseas. Perhaps their use of export subsidies should make countries ineligible for International Monetary Fund loans. America should even consider whether to deprive countries engaging in predatory practices of most-favored-nation status.

There are countless other possibilities. Every Senator and many Representatives have agricultural constituencies. Accepting the status quo would signal that America is willing to shrink its agricultural base; this, in turn, would encourage predatory practices in other fields of trade.

Congress's mood, as I see it, is to draw the line here and now—and, if necessary, fight fire with fire.

I hope it won't be necessary, because there are no winners in a brawl, economic or otherwise.

STATEMENT OF HON. WALTER D. HUDDLESTON, A U.S. SENATOR FROM KENTUCKY

Mr. Chairman, this hearing is most timely in view of the urgent need to revitalize the farm economy by expanding our overseas markets. Increased sales in those markets can do much to return the farm economy to prosperity, and I am hopeful that the bills introduced to expand agricultural export markets will help to achieve those increased sales.

U.S. farmers are facing the worst economic conditions since the Great Depression. Almost every economic and financial indicator points to severe hardship for farmers unless additional action is taken to strengthen the farm economy.

The severe financial problems facing farmers are due, in no small part, to the weak demand in export markets. During fiscal year 1982, the value and volume of U.S. farm product exports dropped for the first time in 13 years. Export volume declined by 2 percent from the previous year and the value of these exports fell 11 percent. The Department of Agriculture forecasts that U.S. farm exports may decline further in this fiscal year.

In the 1970's, our agricultural exports grew five-fold; from 1981 to 1983 they have declined about one-fifth, from more than $44 billion in 1981 to a projected total of $36 billion in 1983.

We must try to reverse this trend toward less export sales volume. We must work to enhance the ability of the United States to sell its products abroad.

I know that the enlightened view is and has been for many years that we ought to strive for free trade throughout the world, looking toward the elimination of tariffs and trade barriers of all nature. And that ultimately is the proper way to go.

But, I think the United States has begun to understand that free trade is not necessarily fair trade as that term is understood by other exporters in the world at the present time.

I do not think the United States has to be a patsy to the rest of the traders of the world. We must not sit back and allow our producers to be put at a disadvantage by the practices of various countries that are competing with us for the sale of agricultural products. Everyone who has something to sell is entitled to use whatever tools he has that might enhance his ability to make a sale.

Many of the provisions of the bills that are currently before us do just that: These bills permit the United States to use the tools that we have, in a fair, equitable way, to enhance our opportunity to move the products that we produce in this country.

LEGISLATION PENDING

Several members of this committee have introduced bills to help increase our agricultural export sales. The chairman has introduced S. 251. Senator Dole has introduced S. 18, Senator Boschwitz has introduced S. 100, and Senator Zorinsky has introduced S. 124. Senator Cochran and I inroduced S. 14, the Agricultural Market Expansion Act of 1983. That bill contains many provisions designed to develop export markets for U.S. agricultural products.

All of these proposals have a common theme. They express a consensus that surplus stocks of agricultural commodities should be used to develop and expand export markets for U.S. farm products, without displacing commercial sales.

Many of the provisions of these bills are similar to those contained in S. 3074, a bill that Senator Cochran and I jointly introduced on December 3, 1982, in the 97th Congress. The Agriculture Committee reported S. 3074 to the Senate on December 13, 1982, with several revisions. Because the Senate did not vote on that bill in the 97th Congress, in January, Senator Cochran and I introduced S. 14, containing the same export market expansion provisions as were in S. 3074.

S. 14

S. 14 provides for a program that uses agricultural commodities acquired by the Commodity Credit Corporation to encourage additional export sales of U.S. agricultural products. Such commodities could be tendered at no cost to U.S. exporters to encourage sales in areas of the world where additional exports can be made to augment the usual export marketings of the United States.

The use of Commodity Credit Corporation stocks in this manner will enable U.S. exporters to be competitive in price with the subsidized exports of other nations. By enabling our exporters to meet unfair competition caused by such subsidies, programs authorized by S. 14 will help preserve our share of international markets.

S. 14 requires the Secretary of Agriculture to ensure that normal export sales of U.S. agricultural products are not displaced. Further, U.S. processors of agricultural products would be compensated in any case where a U.S. processor is placed in an unfair competitive situation by foreign processors who use bonus commodities in processed products sold to the United States. Compensation could be made by using the stocks of commodities owned by the Commodity Credit Corporation.

S. 14 contains provisions designed to allow the use of excess stocks of agricultural commodities in the Public Law 480 (food for peace) sales programs. The bill provides that commodities acquired by the Commodity Credit Corporation can be used to increase the level of agricultural exports shipped under Public Law 480. Using our abundant supplies for the Food for Peace program is a good way to aid countries that cannot feed their citizens and cannot afford to purchase agriculture commodities through commercial transactions.

S. 14 also expands the authority of the Secretary of Agriculture to donate surplus agricultural commodities and products owned by the Commodity Credit Corporation to assist needy persons outside the United States. Such commodities and products will be donated through foreign governments and public and nonprofit private humanitarian organizations. Under existing law, the Secretary's authority to donate commodities abroad is limited to dairy products. The bill would expand that authority to include all agricultural commodities and products held by the CCC. The bill will eliminate, in part, the cost of storing Commodity Credit Corporation stocks and foster good will towards the United States in many foreign nations.

S. 14 will also encourage the Secretary of Agriculture to export at the best price possible, and to donate abroad, dairy products owned by the Commodity Credit Corporation. Specifically, the Secretary will be encouraged to export at least 50,000 tons of dairy products in each of the 1983 through 1985 fiscal years. Such use of CCC dairy products can serve to develop new markets for our dairy products.

S. 14 will remove the existing restriction on sales by the Commodity Credit Corporation of its extra long staple cotton below 115 percent of the loan rate. Removing this restriction will provide the Secretary of Agriculture with greater flexibility to make extra long staple cotton more price-competitive in both export and domestic markets and can help to reduce surplus stocks of this commodity.

S. 14 also contains a provision to amend section 114(a) of the Agriculture and Food Act of 1981, which authorizes the donation of surplus agricultural commodities acquired by the Government under price support programs to domestic nutrition projects. Under the amendment, the Secretary of Agriculture is to encourage the consumption of surplus agricultural commodities, as provided under that section, through agreements with private companies under which the surplus commodities are processed into end products for use by eligible recipients. This provision gives schools additional options for using free USDA commodities, but places no obligation on them to do so. This provision could encourage the processing of dairy items, such as cheese, into other products readily usable in school lunch programs.

CONCLUSION

Mr. Chairman, S. 14 and many of the other bills that are pending will allow the efficient use of inventories of agricultural commodities that might otherwise prove to be burdensome in future years. The use of these stocks as a "bonus" for buying U.S. agricultural products will expand export sales and improve the income of our farmers. Using our abundant supplies for export market expansion, and in the Food for Peace program, is far preferable to simply storing the commodities in government warehouses.

Mr. Chairman, the programs authorized under existing law can do much to expand demand and manage supplies of farm products. However, in my view, the administration has provided only the minimum levels of assistance required by law.

In this regard, I was disappointed to see that the President's proposed budget for fiscal year 1984 will reduce, by $250,000,000, the allocated funds for direct export credits. The budget also cuts $1,800,000,000 from the 1983 level of export credit guarantees. It is clear that the administration has failed to fully address the concerns of American farmers who depend on export markets.

Accordingly, I believe it is appropriate that we move forward on remedial legislation to help resolve the economic problems facing farmers. Certainly, the establishment of an aggressive export market development program will be a good first step.

I look forward to hearing from today's witnesses.

Statement of Hon. Pete Wilson, a U.S. Senator From California

Mr. Chairman, you are to be commended for holding early hearings on this important subject—a subject worthy of our time, exports and international trade—the expansion of exports and the need for a return to equity in the world trading market.

The problems before us are great in magnitude—perhaps the greatest challenges ever facing the agriculture community of the United States. It is good to see all of these groups come together with one purpose in mind and that is to strengthen our agricultural economy for the betterment of our nation's farmers.

The American farmer is in a difficult situation these days with declining prices and depressed markets. Despite improved productivity and potential foreign markets, farmers have been hurt by the world-wide recession. More importantly, they have been denied access to foreign markets by tactics which we can no longer tolerate.

The world economy seems to be pulling out of its tailspin. The other conditions required for expansion of our foreign markets appear to be at hand. Interest rates are falling, lowering the debt burden which has hampered many Third World countries from getting the capital necessary to purchase U.S. export goods.

While the United States has emphasized free trade and farm programs that do not interfere with the world market, the unfair trading practices of the European Economic Community in recent years has been contrary to free trade practices of the United States. The EEC has used price supports, import protection and subsidies to improve its standing in agricultural trade. EEC export subsidies have increased four-fold since 1973. As a result, EEC imports have declined and EEC exports have increased through the use of export subsidies. This kind of subsidy program has understandably rankled the American farmer, and it is the reason why President Reagan and the Congress must and will press this issue with our Western European trading partners.

Countless efforts have been made to negotiate with the EEC with no real progress as a result. The trade negotiations under the 301 cases before the GATT have been proceeding for years and have not progressed as we had hoped. The United States can no longer stand by and allow this kind of interference in free trade. The agricultural sector of our economy has had to suffer the increasingly unfair trading practices of competitor nations. We must insist that the EEC no longer play by a different set of rules than the United States does. We cannot ask the American farmer to suffer in silence.

To bring equity to the game so that we are all playing by the same rules, I am cosponsoring the Export Equity Act, S. 251, introduced by Senator Helms. This bill addresses the opportunity of encouraging other nations to reduce export subsidies while we attempt to increase the export volume and value of agriculture commodities. It is intended to send a strong and unmistakable message to the Europeans that we mean business. In addition to the $20 million of the remaining Omnibus Reconciliation Act funds, specified for poultry and eggs, I will submit an amendment for raisins and canned fruit, the subject of pending 301 cases, including $15 million for raisins and $5 million for canned fruit. The growers of raisins and fruit for canning have been hurt badly by European export subsidies, and this amendment would send a strong message to the EEC regarding the need for more equitable trade practices. Over 100,000 jobs are directly tied to the raisin and canned fruit industries of California. Unfair European competition will cost U.S. jobs we cannot afford to lose if corrective measures are not taken.

These industries have explored every reasonable alternative to address the problems before them. Previous requests have been made to the Secretary for 1982 Omnibus Budget Reconciliation Act funds ($45 million for raisins and $10.4 million for cling peaches and fruit cocktail). The Secretary has listened with interest to these requests and this amendment would give greater impetus in reaching a successful conclusion to this important issue.

They have proceeded with the GATT negotiations with no resolution of the 301 cases to date. This amendment would provide interim support to these industries and would send a message to the EEC.

Ideally, all subsidies should be eliminated so that we can operate in a truly free trade environment. However, in the short-term, a U.S. program of counter subsidies will help to equalize the unfair advantage enjoyed by EEC produce under existing EEC subsidies.

Mr. Frank Light, President of Sun Diamond Growers of California, and Mr. Kalem Barserian, General Manager of the Raisin Bargaining Association, will be a part of the panel this afternoon representing the raisin industry. Mr. Rich Peterson, General Manager of the Cling Peach Advisory Board, will represent the canned fruit industry. I think you will find their testimony to be very enlightening as to the problems facing their respective industries and the importance of this amendment.

In addition to the Export Equity Act, several of my colleagues on this committee have introduced export legislation with some worthwhile provisions. I believe we will all work together here on the committee to come up with the best proposal which will include varied provisions to address the issues described to us today at this hearing.

Mr. Chairman, I thank you for allowing me to make these opening remarks.

STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

FARM EXPORT LEGISLATION IN 1983

Mr. Chairman, I would like to make several brief comments as the committee begins this effort to develop effective legislation to encourage and foster a stronger export performance for U.S. farm products.

NEED FOR ACTION ON EXPORTS

I know that at least six members of the committee as well as a number of our colleagues in the Senate have introduced bills with the primary purpose of expanding financing, increasing export authorities, or mandating policy changes designed to restore and defend American markets overseas.

There is no question about the need to take actions such as these at this time. The administration is following a deliberate program of gradually strengthening measures intended to make clear our resolve and intentions regarding export markets.

It is also clear, however, that the success of these efforts will defend in large part on our ability and long-term commitment to continuing them. This will require further funding—funding that cannot be obtained by reducing non-agricultural programs under the current and proposed budgets.

COOPERATION NEEDED

There should be no inherent differences between Congress and the administration over perceived threats to export prospects and on possible means for dealing with them. The blended credit program now being actively pursued by the USDA around the world would not have been possible without congressional initiatives last fall and during the lame-duck session. In this regard, I would compliment the contribution of the distinguished chairman of this committee in establishing the seed money of $175 to $190 million in last year's Budget Reconciliation Act.

So I hope that the administration witnesses who appear before the committee next week will emphasize the positive contributions of these various proposals as well as any reservations they may have. There should be a willingness for give-and-take, for compromise on these issues which so vitally affect the future of our agricultural system. I certainly intend to approach the effort in this spirit.

OBJECTIVES OF AN EXPORT BILL

Mr. Chairman, before beginning consideration of the plethora of ideas and proposals before the committee, I would like to identify a few goals and elements that I believe would be constructive in developing a final package.

ADEQUATE FUNDING

First, we must provide an adequate source of long-term financing for U.S. agricultural export programs. We cannot rely on one-time, single-shot initiatives to restructure global marketing patterns. Both our customers and our competitors must be convinced of our resolve to pursue our own best interests in farm exports. This can only be done through a long-range program, and at funding levels that are adequate to get the job done.

FLEXIBILITY

Second, the bill we report should be flexible. We should not tie the hands of the USDA by requiring the use of direct export subsidies, or by mandating exports of specific products to specific markets.

Experience has also shown that legislation which includes inflexible triggers for activating programs is often dangerous over the long-term. However, some targeting of commodities that are particularly hard-pressed in export markets, such as poultry and eggs, may be warranted in the short-term.

COST EFFECTIVE

Third, we continue to operate within the constraints imposed by the budget process. It will be difficult if not impossible to convince our colleagues and the administration that the problems facing agriculture justify a reduction in funding for other programs. We must make every effort, then, to achieve a net cost impact of zero. This will require a reallocation of scarce resources if farm exports are to receive adequate funding.

OTHER ISSUES

Beyond these guidelines, Mr. Chairman, I would add the following points:

PUBLIC LAW 480

I would question the purpose of broadening the use of the Food for Peace program, or Public Law 480, beyond its present mandate. Further dilution into a catch-all-for concessionary exports could reduce its effectiveness and make it vulnerable to criticism. Also, the interagency process involved in Public Law 480 programming will continue to hamper its effectiveness as a market development tool.

BILATERAL AGREEMENTS

There is also a need to explore the threat that bilateral agreements on agricultural trade are soaking up an increasing share of the world market for basic commodities. The success of our current efforts to overcome export subsidies would be a hollow victory if U.S. export potential is to be circumscribed by the continued proliferation of market-sharing arrangements.

SOVIET LTA

On a related point, the current U.S.-Soviet grain agreement should be renegotiated this year on a long-term basis, and at higher minimum guaranteed quantities of wheat and corn. Nearly two years after President Reagan lifted the last administration's partial embargo, we are still struggling to take the politics out of U.S.-Soviet trade in agricultural products. A long-term agreement would offer both sides an opportunity to reestablish trade at realistic levels, given increases in Soviet demand and our own burgeoning supplies. If bilateral agreements are generally seen as constraints on trade, a new LTA with the Soviet Union would be the exception that proves the rule.

CONCLUSION

Finally, Mr. Chairman, I would only add my support for the current efforts of Secretary Block and his team to restore U.S. competitiveness in farm sales abroad. It is unfortunate that the consultations held in Brussels last week did not provide the breakthrough on export subsidies that we are all seeking.

Facing the possible need for further action, I would urge the administration to apply pressure in a balanced, even-handed and constructive manner. We should not give the impression that our first priority is to inflict punishment rather than to regain lost markets. We should also draw a careful distinction between promoting the sale of commodities and products which have been displaced by unfair foreign competition and others which have not. To subsidize the sale of products which the United States supports at prices above the world market would jeopardize our argument that the practice of subsidization should be eliminated.

Thank you Mr. Chairman.

STATEMENT OF HON. DAVID H. PRYOR, A U.S. SENATOR FROM ARKANSAS

Mr. Chairman, I am pleased you have called this hearing to look at legislation which will aid our exporters and processors in increasing exports of agricultural products, and more importantly, in regaining markets we might have lost in the last couple of years. American companies are faced by trade barriers of varying degrees around the world, and I am glad we are considering measures to put them on equal footing so they can compete.

We all know the importance of exports, Mr. Chairman. It creates many jobs—I've seen the figure of 35,000 jobs for each $1 billion of agricultural exports—and it also puts more money into the pockets of the farmers of this country. They are really suffering and this is caused in large part by the failure to export some of the huge crops we've had the last couple of years.

I think there is widespread support for the Export PIK concept contained in S. 14, a bill which I have cosponsored. I'm pleased that the provisions of S. 14 are also included in S. 251. I'm also interested in the $20 million in S. 251 to assist poultry and egg exporters. The State of Arkansas produces more poultry than any other state in the country, and this money could be used to regain markets we've lost in the last couple of years to the European Community and Brazil.

Mr. Chairman, I am also interested in exploring the idea of starting the barter program back up, or at least becoming more aggressive in trying to find new countries for our products. This program was in effect from 1950 until about 1973, and I have several questions for the witnesses about whether or not it could be used effectively again today.

Again, Mr. Chairman, I am pleased you have called this very timely hearing and I look forward to hearing the testimony of the witnesses.

STATEMENT OF HON. DAVID L. BOREN, A U.S. SENATOR FROM OKLAHOMA

Mr. Chairman, I commend you for calling this hearing on an issue vital to this nation's economy—agricultural export trade. Agricultural exports are the one aspect of U.S. trade which has kept the overall trade deficit from increasing any further. The agricultural trade surplus decreased the overall trade deficit by $23.74 billion, in 1982 alone, and in 1982, U.S. agricultural exports dropped for the first time in 13 years, both in terms of volume and value. If we do not take action now, agricultural exports could decline further in 1983.

As we all know, American agriculture is in the midst of a depression. If we are to see economic recovery in agriculture, we must not only take steps to bring supplies more closely in line with demand, but we must also bring demand up more closely in line with supply.

I applaud the members of the Senate who have introduced legislation designed to increase our exports. I strongly believe that we must act quickly to implement a PIK export program. As a cosponsor of S. 14, Senator Cochran and Senator Huddleston's bill, I intend to do all I can to insure speedy passage of this legislation.

Respectfully, none of the bills we are looking at today contain a provision which would make the export PIK available for wheat. It appears that the Commodity Credit Corporation will not have any uncommitted wheat to use in the export PIK. As such, I strongly urge that we give the Secretary of Agriculture the authority to borrow from the Food Security Wheat Reserve up to 2 million metric tons for the operation of an export PIK. The Fund could easily be replenished by next year, given the estimated level of supply.

I do not believe we can afford to simply enact an export PIK and assume that all our export problems will disappear. I still strongly believe that we must provide funding for the Agriculture Export Credit Revolving Fund, but I do not believe this funding should come as a replacement for the increase in target prices, as mandated in current law.

I also favor the idea of a "bonus" for additionality purchases. If we can get a country to increase their purchases of U.S. agricultural products, we should make them a special deal, say, a special credit package on "bonus" commodities.

With the enactment of the Futures Trading Act last year, we have a "contract sanctity" provision in law. I would hope that this administration and all future administrations will stand firmly behind American agricultural contracts. We simply must do all we can to regain our credibility as a reliable supplier.

I would also urge the President to immediately begin the negotiations for the long-term grain agreement with the Soviet Union, and I believe the minimum purchases level needs to be raised.

I hope that we can move quickly on this legislation, as for every minute we wait, our economy and in particular the agricultural economy, is losing.

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Mr. Chairman I congratulate you on holding these very timely hearings on ways to increase our agricultural exports. Our agricultural exports declined in value this past year for the first time since 1969. With one-third of the total crop acreage harvested in this country being for the export market this decline has contributed the current large farm surpluses and depressed prices.

During hearings held on S. 3074 by my subcommittee on Production Marketing and Price Stabilization, on December 9, it was pointed out that there are several reasons for our reduced agricultural exports, including such things as: (1) the strong value of the U.S. dollar which has added to the cost of our agricultural products in overseas markets; (2) weak demand because of the worldwide recession; and (3) subsidies by many of our competitors.

I felt at that time and I still feel that actions need to be taken to help us maintain our market shares in world markets. One of the more difficult items to deal with is in the area of subsidies. Most of those involved in export trade in this country prefer to operate in a freely competitive environment. Unfortunately many of our competitors do not feel this way. We have lost the broiler market in the Middle East because of subsidies by France and Brazil. Until the recent wheat flour sale to Egypt, under an export bonus type proposal which I put forward last November, we had been forced out of that market. Our soybean industry is currently being hurt in the export market for soybean oil by subsidies from Brazil, Argentina, Spain and others. A similar situation exists for rice due to subsidies from Taiwan.

I think it is time for us to take actions which allow our industries being hurt by unfair trade practices to be competitive. The wheat flour sale is a good example. I have also joined with other Senators on a letter which urges the Administration to take similar actions to help our poultry regain their markets in the Middle East. I am also drafting a letter encouraging that action be taken in through an export bonus program to help regain our soybean oil markets lost because of subsidies.

Some worry that this action will lead to a trade war. I believe that we have been in a trade war for several years and have been losing. Its time we take actions which reverse that trend.

I believe that the number of trade bills which have been introduced is an indication of the strong interest in Congress that we not sit idly by and let other countries capture our markets through unfair trade practices.

Mr. Chairman, I congratulate you on holding these hearings and urge you to bring these bills to the Committee for markup as soon as possible.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

THE EXPORT PIK PROGRAM

Mr. Chairman, I appreciate the opportunity to comment on what is popularly called the "Export PIK" program. The importance of this issue is apparent from the number of bills that have been introduced on the subject already this session. The Europeans could have predicted the reaction in Congress following the dismal GATT meetings last November.

I look forward to working with members of the Agricuture Committee and the International Trade Subcommittee on which I serve in the Senate Finance Committee on this issue. I know the Chairman of the Finance Committee, Senator Dole, is committed to address these trade issues early this session.

I urge the Committee to view the Export PIK program as a partial solution for our burgeoning surpluses of agricultural products and the depressed farm prices that result from these surpluses. Depressed market prices and the tremendous storage costs of these surpluses demand that we take action.

We need to take action on several fronts to address our problems in the farm economy. We must be more aggressive in negotiating a long term agreement with the Soviets. This is an essential step towards regaining our reputation as a reliable supplier.

We need to support current market development programs, like the FAS Cooperator program, with increased funding to help us compete on a more equal basis with our competitors.

When Secretary Block announced the domestic PIK program, he stated his commitment to increase the export of our agricultural products. Indeed, last year's decline in the value of our agricultural exports is cause for alarm. Additional markets must be found and existing markets must be expanded if we are to see an improvement in domestic proces.

I am, of course, particularly interested in expanding our world markets for wheat. Montana is the fourth largest wheat producing state with a record wheat crop last year of 183.6 million bushels. We sell nearly 80 percent of this wheat in the international marketplace.

The wheat surplus clearly indicates the need to include wheat in an export PIK program. Last month, when USDA announced the domestic PIK program, we had over 1.5 billion bushels of wheat in CCC stock and nearly 1.0 billion bushels in the Farmer-owned reserve.

Before I can support an export PIK program I would like an assurance from USDA that wheat or wheat flour will be a part of the program. We need to know whether there are adequate levels of CCC stocks to support an export PIK program for wheat. If there is not, I would like to know whether USDA would support authority to "borrow" wheat from the Farmer-owned reserve.

I also believe we should consider what our international trading partners' reaction will be to an export PIK program. I am fully aware of the subsidies of the European Community under their CAP. However, we are perilously close to a trade war that will benefit no one involved in international trade. I want to avoid another situation like the dispute over a textile agreement with the People's Republic of China that has endangered our number one wheat market.

Mr. Chairman, I hope that all of these issues will be discussed during these hearings and in further hearings before the International Trade Subcommittee. I look forward to reviewing the testimony of our agricultural export industry on the export PIK program.

I thank the Chairman for allowing me to express my concerns on this legislation and for his action to pull the variety of proposals together in a cohesive trade package.

STATEMENT OF HON. LARRY PRESSLER, A U.S. SENATOR FROM SOUTH DAKOTA

Mr. Chairman, I want to first commend you and the Agriculture Committee for holding hearings on the Agricultural Export Equity Act. I appreciate having an opportunity to express my support for this legislation.

Agricultural exports play a key role in our domestic economy. Crops from two out of every five acres of cropland in the United States are exported, so domestic farm prices are very dependent on agricultural exports. Also, every $1 billion in farm exports means 35,000 jobs for Americans.

During the 1970's, farm exports increased dramatically and so did U.S. farm production. However, last year, U.S. farm exports declined by almost $5 billion. The decline in exports and record harvests have depressed farm prices to the lowest parity level since these statistics have been kept. Farm income has declined for the third year in a row and the cost to the federal government for farm programs has skyrocketed. Action must be taken to reverse this trend.

Much of the decline in farm exports is due to unfair trade policies used by other nations. For example, the European Economic Community subsidizes farm exports to make their products artificially competitive and this displaces U.S. farm export markets. Specifically, as of February 1, 1983, the EEC subsidizes wheat exports at a rate of $2.02 per bushel and barley at a rate of $1.89 per bushel. The EEC's barley export subsidies are almost the same as the average price South Dakota farmers receive for their product ($1.91 in December, 1982). How can we expect the American farmer compete with a 100 percent export subsidy?

If American agriculture is to recover, we must get farm exports moving again. We must help our farmers compete on the world market while we continue to work to eliminate these unfair trade policies. The actions required by the Agricultural Export Equity Act would begin to put American farmers on an equal basis with foreign competition.

The legislation will also help to reduce and control the cost of the dairy price support system. The sale of surplus dairy products will reduce storage costs and create revenue to promote agricultural exports. Again, the unfair trade policies of foreign nations are causing many problems for U.S. dairy farmers. On April 1, dairy farmers will be required to contribute one dollar per hundredweight for the storage of the dairy surplus, although we continue to import subsidized foreign dairy products and do not sell our surplus. This is not fair to American dairy farmers.

Mr. Chairman, I urge your committee to take early positive action on S. 251 and I hope that the full Senate would do the same. I would also urge that several other issues be considered along with this legislation. These issues include:

The Administration's need to begin negotiation of a new long-term grain agreement with the Soviet Union. Prior to the 1980 Soviet grain embargo, we provided the Soviets with 75 percent of their grain needs—now we provide only about 30 percent. We must regain this major market.

We must reduce and eliminate unfair agricultural trade barriers. Japan limits U.S. farm product imports with quotas, a government monopoly buying system, excessive price markups and other restrictive barriers. We must continue to work to eliminate these trade barriers.

An effective agricultural export promotion program must be maintained if exports are to be expanded. The Foreign Agricultural Service Cooperative program must be maintained.

We must make sure that available credit to finance agricultural exports from the Export-Import Bank and the Agricultural Export Credit Revolving Fund is effectively used. Credit to finance agricultural exports is essential to expanding exports.

Mr. Chairman, thank you for this opportunity to express my views and I look forward to continuing to work with the Agriculture Committee to expand agricultural exports.

STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA

If there is one overriding issue in world trade today, it seems to me it is the question of the relevance of the General Agreement on Tariffs and Trade. When GATT was established in 1947, the United States was supreme in technology, management skills, and productive capacity. Since that time, the structure of the world economy has changed dramatically, and developed and developing countries have become stiff competitors for our domestic and export markets. As a delegate to the GATT ministerial meeting, a majority of my time was geared to the impact the European Community (EC) export subsidy on agricultural products has on American farm exports. I came away extremely disappointed.

Although a special committee was established to conduct a two-year study on the impact of export subsidies, no recommendations will be forthcoming until 1984. And even though this concession required a unanimous endorsement by GATT members, Wilhelm Haferkamp, vice president of the common market's policymaking commission, stated emphatically that endorsement of the document was not a commitment to any new negotiations or obligations in relation to agriculture.

Unfortunately, this strong stance does nothing but pave the way for further escalations between the United States and Europe, not only in the area of agriculture but also other non-agricultural related exports. The task of our political leadership is to understand the gravity of the position we are in and to begin to shape a trade policy that makes sense for our farmers, our industries, and our trading partners in the 1980's. It must, however, be a policy which the American people can believe and our trading partners can be convinced is in their best interest as well as ours.

This is the main reason why, upon return from the GATT, I wrote to President Reagan to suggest that he immediately call together a bipartisan group of this country's political, business, labor and farm leaders along with members of the academic community to set an economic trade agenda for this Nation in the 1980's. The Administration's response to my request has been encouraging and I am looking forward to the organization of this type of trade group.

In the meantime, we need to take action to underscore our resolve. We need to show our trading partners, in no uncertain terms, that we are tiring of their continued rhetoric that is supported by no positive action. We need to stand up for U.S. interests to make certain that future trade bargaining will be in good faith.

Agriculture trade legislation, such as S. 251, the Agricultural Export Equity Act of 1983, which I co-sponsored, and other similar bills that the Senate Agriculture Committee is considering, is exactly what is needed. This legislation will help regain equity and fairness in our competition for international agricultural trade markets. It will help us counter the unfair, predatory trade practices of our trading partners, which in turn should improve our ability to restore, maintain, and perhaps expand U.S. export markets.

I am pleased that the Senate Agriculture Committee, under the able leadership of Chairman Helms, has recognized the urgency and magnitude of our trade dilemma, and is working expeditiously on a remedy. I look forward to working with my colleagues on this important initiative.

STATEMENT OF HON. WILLIAM M. THOMAS, REPRESENTATIVE IN CONGRESS FROM THE 18TH DISTRICT OF CALIFORNIA

Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to testify on agricultural export issues. Like most of those present, I do not want to see a permanent system of U.S. export subsidies established. I do, however, favor protecting American agriculture's access to foreign markets, particularly when that access is threatened by unfair trade practices on the part of other exporting countries.

As S. 251 addresses what are clearly substantial trade problems, I support its principles. I am very much in favor of temporarily using export subsidies to offset other nations' export subsidies, and I am pleased to see an export Payment-In-Kind program has been included in the bill. It is regrettable that trade has reached a point where such programs get serious attention, but current conditions make it necessary that Congress consider means of preventing further erosion of U.S. agriculture's market share.

In keeping with the need to maintain our access to international markets, I hope the Chairman and other Members of this Committee will support my friend Senator Wilson's proposal to provide export assistance for raisins and canned fruit. There is a strong case for amending S. 251 to provide support for these two industries. Both have attempted without success to obtain relief under the General Agreement on Tariffs and Trade. The raisin industry has engaged in a costly export promotion program at its own expense. In spite of these efforts, European Community practices severely limit our raisin and canned fruit exports. Both commodities are highly visible as U.S. specialty crops that are now the subject of U.S. complaints filed in accord with the General Agreement on Tariffs and Trade, and the $20 million Senator Wilson proposes to allocate would make them extremely competitive on the basis of price.

The reasons why Congress is now considering farm export promotion bills are clear. The European Community's export subsidies, for example, have pushed the community into a role as one of the globe's major exporters of such products as beef, wheat flour, poultry and sugar. U.S. products are also adversely affected by the Community's use of large production subsidies. European Community members are by no means the only countries impeding U.S. exports. As a result, American farmers want action to promote liberal trade in farm goods, and the farm community's demand for progress on trade issues is intensifying.

Unfortunately, the United States attempts to resolve trade differences with other nations have all too often been ignored. The European Community, for example, frequently indicates that distortions caused by Community practices will eventually disappear and that we should wait until problems resolve themselves. When U.S. exporters have sought relief under General Agreement on Tariffs and Trade dispute settlement procedures, the Community has claimed that we were improperly treating the dispute procedures as a "legal" solution. At the same time, the Community has used the same dispute settlement processes to delay action on trade matters encompassed in what the United States calls Section 301 complaints. Some Section 301 complaints have been outstanding for years, and even now do not have a clear timetable for resolution.

Unless something is done to promote free trade in agriculture, I fear U.S. farmers are going to push for government action that could lead us into a trade war. The signs are already in place. Most important is the fact that our producers already believe that the European Community, Japan and others are taking advantage of the United States. The influence of U.S. agriculture's attitudes on trade can already be seen in the funding for export promotion that Congress provided to the U.S. Department of Agriculture during the 97th Congress and new proposals for promoting farm exports being introduced during the current Congress. The pressure for more severe action is definitely growing.

While the need to act seems evident to those of us in the United States, we have yet to get our trading partners' attention. Because the United States has endured export subsidies and restrictions on our access to foreign markets while we negotiate, our trading partners seem to believe that the United States is not serious about agricultural trade. Unless dramatic steps are taken to show how serious we are, there appears to be little chance that farm export trade issues will be resolved in any way.

A number of Members of Congress have already had opportunities to see how important it is to demonstrate our willingness to protect our foreign markets. I recently delivered a paper on agricultural trade to Members of the European Parliament, and with the Chairman's permission, I would like to submit a copy of that paper for the record. The paper raised the same points I have discussed this morning. I strongly emphasized the need for immediate action on export subsidies and pointed to our farmers' increasing interest in protectionist and retaliatory programs as evidence that trade conflict is a real prospect. Our colleagues from the European Parliament ignored those comments, just as they seemingly ignored Members of this Committee when similar concerns were raised during the recent GATT Ministerial. The only alternative left to us seems to be export promotion programs designed to make our products competitive in world markets.

The recent U.S.-Egypt wheat flour arrangement has brought European attention to bear on export issues. I am sure our other trading partners are following our actions on agricultural trade with great interest. We need to follow through and continue to encourage progress on trade disputes. The export promotion programs the Committee will consider today offer our farmers and negotiators tools needed to achieve progress on trade issues. I hope the Committee will act quickly in order to make such progress possible.

STATEMENT OF CONGRESSMAN WILLIAM M. THOMAS AT THE MEETING BETWEEN THE U.S. CONGRESSIONAL AND EUROPEAN PARLIAMENT DELEGATIONS, JANUARY 18, 1983, ATHENS, GREECE

Mr. Chairman, I am pleased to have this opportunity to address issues concerning international trade in agriculture. As a Congressman from one of the world's most productive and export-oriented farm regions, I am deeply concerned about the changing attitude of the American farmer. U.S. agriculture used to be committed to the concept of free trade. We could count on American farmers to be in the front line of trade's defenders. Today, many of those same farmers are frustrated and demanding that their government take serious retailatory steps to protect traditional markets. Unless the United States and the European Community make substantive and highly visible steps toward more open trade the enormous political power of American agriculture could very well commit my country to defensive trade actions which could result in a trade war.

The American farmer wants liberalized agricultural trade between our country and the European Community and more fair terms of competition in third country markets. The U.S. government's position has been repeatedly stated, most recently at the GATT Ministerial last November and during high level U.S-E.C. talks held December 10th in Brussels.

On a broad scale, the United States wants to improve and strengthen the General Agreement on Tariffs and Trade. We desire clear rules on standards and safeguards and the documentation of tariff and non-tariff barriers. the United States is in particular committed to clarifying and delineating obligations under the subsidies code. But the United States also recognizes these represent long-term efforts to strengthen rules in the international trade arena. While we want to make strides in this area and are willing to do what is necessary to achieve these objectives, the United States also believes that the bilateral U.S.-E.C. Ministerial talks that began January 11th in Washington must develop more immediate solutions to the problem of E.C. export subsidies.

The United States is quite determined that action to resolve subsidies disputes begin in the bilateral talks. We note there will be a "progress" report issued this coming March as a product of these meetings. We urge that this report contain specific recommendations for the elimination of export subsidies and offer some timetable for reaching that objective. The subsidies problem is one we can and must resolve soon. We do not have time to wait for changes in GATT. Members of Congress representing agricultural areas can no longer afford politically to merely talk.

In discussing the urgent need for action against subsidies, it should be clear to our friends that the United States is in no way asking the Community to abandon the concept of a Common Agricultural Policy. We do not have the right to challenge your domestic policies. Indeed the C.A.P. and U.S. farm programs share the goal of rural economic development. That goal is a good one. We do have, however, the right as Ambassador Brock has said "to ask that the external effects not adversely affect our interests in an unfair or prejudicial way." Through the Common Agricultural Policy the Community has become self-sufficient in many major commodities and is now producing exportable surpluses. These government-induced surpluses are exported with the benefit of large subsidies which force others in the world market to absorb the impact of the Community's practices.

The U.S. farmer has participated in decades of complicated farm programs and knows that export subsidies are not the sole means of supporting rural economies. These farmers believe our countries can and must end the disruption of world markets. If the Community remains inflexible on trade issues, these same farmers are prepared to bring increasing pressure on their government for retaliatory trade measures.

The need to resolve the problem, and to do so as soon as possible, stems from American agriculture's growing perception of international trade in general and the Community's trade in particular as grossly inequitable. The perception has nothing to do with export subsidies' general legitimacy, and as a result the problem on which we must focus is the political one of preventing permanent damage to international trade.

As long as U.S. farmers perceive the Community as dedicated to unfair trade practices, the pressure on my government to retaliate against your policies will continue to grow. During the last decade, subsidized Community products have taken the E.C. from being a net importer of grains, beef, poultry, sugar, pasta, wheat flour and other items to prominence as a net exporter. Some examples: The Community's sugar export represented a 600 percent increase over its average exports from 1973 to 1977, 1981 beef exports rose 485 percent over the same period, poultry rose 385 percent, wheat exports rose 250 percent, and wheat flour exports rose 225 percent.

Any suggestions that we resolve our differences through GATT will be rejected by U.S. agriculture. When what the United States calls § 301 petitions have been filed by U.S. exporters and GATT complaints have ensued, endless procedural roadblocks have prevented resolution of issues. The recent GATT Ministerial and the controversy last year concerning corn gluten feed have not helped the situation; the suggestion that U.S. exports of corn gluten feed be subjected to unprecedented controls and the Community's reluctance to do more than study trade disputes have convinced significant parts of the American farm community that you do not want to resolve our trade differences. In fact, many believe you will not negotiate because you have an advantage under the status quo.

Because of the factors I have identified, we are already at a critical point in agricultural trade. American farmers have begun to demand that the U.S. government retaliate against the European Community. The recent $190 million appropriation now in part devoted to the U.S. blended export credit program is significant not because of its size, but because it represents a departure from the strong anti-subsidy trade position that American agriculture has maintained for many years.

The move toward subsidized exports as counter-measures to reestablish the competitive position of U.S. products parallels strong protectionist sentiments emerging in other segments of the U.S. economy. An example of the risk we run by not controlling subsidies is provided by the domestic content legislation recently passed by the House of Representatives. The vote on that measure was 215 to 188. More significant was the fact that over half the House, 223 Members of Congress, sponsored this inflexible, protectionist legislation. In addition, an amendment intended to keep the bill from abrogating current international trade agreements passed by just 1 vote—195 to 194. To be sure, this legislation was held in the U.S. Senate. But if we fail to stem the growing interest in heavily subsidized trade we risk the development of a permanent coalition in favor of protectionism and retaliatory trade practices, a coalition that will include the American farmer.

The problem of free trade in agriculture cannot be treated as a simple dispute between the United States and its friends in the European Community because our agricultural trade affects many other countries. As you know, agricultural trade is particularly important to the LDCs, where commodities represent an important source of the cash flow needed to foster further development. If the United States and the Community ignore the need to resolve trade matters, particularly those involving export subsidies, any conflict between us will injure nations whose financial situation is already strained.

The U.S. Government recognizes that its policies are not without their questionable aspects, and we remain open to suggestions for constructive change. In fact, we have already done a great deal to make our farm programs even more market-oriented. In major commodities such as cotton, rice, wheat and feedgrains, we have eliminated market entry barriers such as acreage allotments. While we have a price support system, the support price levels for commodities such as cotton, wheat, feedgrains and soybeans are intended to keep them from interfering with export markets. We do not subsidize beef or poultry production. Instead, the Congress rejected legislation that would require imported meats to meet more restrictive standards than those imposed on our domestic producers. In spite of huge dairy surpluses and storage costs, we have thus far refrained from placing our surplus product on the world market. It is significant to note that U.S. farm legislation generally requires the U.S. Commodity Credit Corporation (the agency that purchases surplus commodities) to sell its stocks above the price at which the government assumed them. Again, we are willing to discuss our farm policies and hope our European friends will show an equal interest in discussing changes in their programs.

I personally believe we can avert a trade war if we recognize the enormous disruption to markets and the subsequent political pressure created by export subsidies, tariffs and nontariff barriers. As members of our respective political bodies, we perhaps more than others realize that it is a person's perceptions that produce political pressure because people act on their perception of reality. American farmers perceive they are being treated unfairly and the time is limited for changing that perception. It is clear to me that the current situation, particularly where subsidies are concerned, involves the risk of significant damage to continued mutually beneficial trade relations. The solution must be found in our respective political arenas. Those of us in the United States who believe in mutually beneficial trade have politically contained protectionist trade forces for the present. But tomorrow must bring changes and we await your response.

[The following material was inserted by Representative Douglas K. Bereuter from Nebraska, see p. 20 for oral reference:]

[From the Congressional Record, Dec. 18, 1982]

A WORKABLE SOLUTION TO OUR TRADE PROBLEMS WITH JAPAN

The **SPEAKER** pro tempore. Under a previous order of the House, the gentleman from Nebraska (Mr. Bereuter) is recoginized for 60 minutes.

(Mr. **BEREUTER** asked and was given permission to revise and extend his remarks.)

Mr. **BEREUTER**. Mr. Speaker, several weeks ago, the long-awaited GATT (General Agreement on Tariffs and Trade) Ministerial Conference concluded. Eighty-eight countries met in Geneva, Switzerland, to discuss critical issues relating to the conduct of international trade.

Given the troubled economies of virtually all nations, even our own, proponents of free trade faced a difficult task at this trade conference. With economic difficulties come almost insurmountable calls for protection of domestic producers and manufacturers and an increasing cold shoulder to foreign goods.

As a member of the congressional delegation to this conference, I considered these negotiations to be of utmost importance. Of particular interest to me, because I represent one of the Nation's premier agricultural districts, were the bilateral United States-Japan negotiations. Promised to the anxious farm community in early spring, these discussions were designed to identify and to implement ways to bring down formidable Japanese barriers to the importation of American agricultural products.

In the last few days, we have heard much said in this Chamber about the status of United States-Japan trade relations, and particularly, the imbalances in that relationship. The agricultural trade barriers set up by the Japanese came in for special scorn. Yet, no one in this body offered any workable solution to these problems. The much debated content bill, the proponents admit, is a flawed vehicle, one with a potential for creating chaos in the international trading system. It does not offer a reasonable or acceptable answer to the problems we encounter in trade with the Japanese.

Today, I would like to reemphasize to my colleagues the important role agricultural trade plays in the American economy and to describe some of the problems American traders face abroad. Moreover, I hope to encourage a search for meaningful solutions to the intolerable United States-Japan trade imbalance by suggesting what I believe to be a promising answer to the agriculture trade barrier conflict.

AMERICA'S EXPORT SUCCESS STORY

Let me begin by first giving a brief description of America's greatest trade success story: The agricultural export market.

America began exporting agricultural products more than 350 years ago with the sale of tobacco to the English. According to statistics gathered by the U.S. Department of Agriculture's Foreign Agricultural Service, our Nation now exports more agricultural products than any other country in the world. More than 150 nations receive U.S. agricultural products. We account for four-fifths of the soybeans moving in world markets, two-thirds of the feed grains traded, two-fifths of the wheat and cotton shipped abroad and one-fifth of the tobacco and rice sold between nations. Earnings from foreign sales of agricultural products have added more than $10 billion to our trade surplus account each year since 1974. In contrast, our nonagricultural trade balance reversed from a $958 million surplus in 1970 to a $50 billion deficit just 10 years later. Over the same period, the farmers and ranchers of this Nation have performed in exemplary fashion, boosting the agricultural trade surplus from $1.3 billion in 1970 to an amazing $23.2 billion at decade's end.

The value of these foreign markets to the individual farmer—as well as to the Nation as a whole—cannot be underestimated. Presently two-fifths of our cropland—or approximately 138 million acres—produces commodities for foreign sales. Moreover, one-fourth of the cash receipts earned by our farmers and ranchers comes from that vital trade. Expanded markets encourage production efficiencies which engender benefits to the farmer, as well as to the American consumer.

It seems almost unbelievable that in the 1930's, average yearly exports were only $765 million. That figure rose steadily to $2,416 billion in the 1940's, $3,603 billion in the 1950's, and $5,735 billion in the 1960's. Average yearly sales then skyrocketed to $18,370 billion in the decade of the 1970's.

Everyone—consumers, farmers, workers, ranchers—benefit from a healthy agricultural export program. Multiple values of the export effort can be readily cited.

Although we exported more than $40 billion of agricultural commodities during fiscal year 1980, the U.S. Department of Agriculture estimated that such trade generated twice that amount of activity in the domestic economy and accounted for roughly 1 million jobs. In 1979, almost half a million people were employed on the farm and approximately 680,000 in jobs related to the assembling, processing and distribution of agricultural goods destined for foreign markets. USDA statistics for 1979 tied to our agricultural export effort 60,000 food processing, 300,000 trade and transportation, 120,000 manufacturing and 50,000 other jobs in the economy.

Such statistics take on even more significance when one learns that the value of overall U.S. agricultural exports for fiscal year 1982 dropped $4.7 billion, an 11 percent slide from the previous year, to $39.1 billion. Furthermore, the volume of agricultural exports for the period lagged 2 percent behind the previous year's figures, slipping to 158 million tons. Despite an 11 percent decline in imports, our agricultural trade surplus fell from a record $26.6 billion in fiscal year 1981 to $23.7 billion.

During October of this year, we suffered another distressing decline, as volume dropped 23 percent—to 12.1 million tons—and value fell 26 percent—to $2.9 billion—from the same month a year ago. For fiscal year 1983, the USDA predicts a continued slide, down to $37.5 billion, in the value of agricultural trade.

In certain areas, we did have some good news. For the first 6 months of the year, trade with South Asia, India, and Pakistan was up over 100 percent. Exchanges with Latin America and the Caribbean, however, showed a 33 percent drop over the same period.

Some of the drop in export performance occurs due to circumstances beyond our control. Economic conditions, for exampole, the Polish debt crisis, explain the 56-percent slump in imports by East European countries. In other cases, the dollar's appreciation has hampered U.S. export performance.

In some cases, however, the USDA reports that movements in the value of the U.S. dollar did not appreciably affect foreign prices. For example: between March 1981 and March 1982, when the yen depreciated 16 percent, Japanese import prices for U.S. wheat, corn, and soybeans fell 3 percent, 17 percent, and 16 percent compared to drops in U.S. export prices of 4 percent, 20 percent, and 16 percent.

Regardless of the cause, the deterioration in export performance is unnecessary. American farmers, poultry men, stockgrowers, and fruit and vegetable growers produce high quality goods in heavy demand worldwide. If economic conditions downgrade market opportunities in one sector, we must pursue any other options all the more aggressively. We must constantly work to penetrate any possible market abroad. Certainly the demand for our goods exists.

Despite the desirability of our agricultural products, we are enduring trade declines because trade barriers in some countries hamper our sales efforts and undermine our ability to overcome temporary economic disincentives to trade.

UNITED STATES TRADE WITH JAPAN

Japan offers the classic example of the deleterious impact of trade barriers, one that is constantly and appropriately cited in this body. It must be recognized that Japan has been our No. 1 market since 1964. Japan purchased $6.7 billion of agricultural goods from us in 1981, up 17 percent from 1980. The second ranking customer, West Germany received less than half that amount. One out of every 20 U.S. farm acres goes to produce commodities which feed Japan, a figure which represents more cropland than Japan itself devotes to feeding its citizens. Some 90 percent of Japan's high quality beef imports, for example, come from the United States. With food imports by Japan expected to double by the end of the century, our Asian ally offers a fertile market for additional American sales.

Despite the already extensive purchases by the Japanese from the United States, their significant trade barriers still greatly hamper our increased sales to this important market. According to Alan Middaugh, president of the Meat Export Federation, "While the average ad valorem duty on Japanese manufactured goods entering the United States is 2.5 percent, the import duty on U.S. beef coming in to Japan is 25 percent."

Japan maintains import quotas on 22 agricultural products and ad valorem tariffs on a number of commodities. Tariff quotas apply to 11 items including corn used for industrial purposes and barley used for feed.

Beef quotas are particularly notorious. For April 1981, to March 1982, beef import quotas were as follows:

	Metric tons
General quota	111,000
International hotel and restaurant quota	3,000

	Metric tons
School lunch	2,250
Boiled beef	4,700
Okinawa	5,850
Total	126,800

Quotas change roughly every 6 months, the above quota being 8,000 metric tons less than the previous level. This restricted level allows the annual entry of only 2.5 pounds of foreign beef per Japanese citizen.

Equally stringent quotas apply to fresh oranges and fruit juices. Quota limits cover two periods: June to August and the remainder of the year. A 20-percent tariff applies during the latter period even though virtually no domestic oranges are available during that time. A 1978 requirement that imported juices must use at least 40 percent of their juice from Japanese oranges caused a dramatic drop in the U.S. share of the Japanese market, from 77 percent to 20 percent.

Formal quotas are not the only mechanism used to depress imports, governmental advocacy of voluntary imports, quarantine regulations, health regulations, standards and credit arrangements can all be used to hamper U.S. sales efforts. Purchases of commodities for resale by the MAFF's (Ministry of Agriculture, Forestry and Fisheries) food agency, at a noncompetitive price support of the domestic produce, further discourages purchases from abroad.

If these trade barriers could be eliminated, U.S. sales to Japan potentially could increase in a major degree.

One important unexploited sales opportunity is for pineapple juice, which is not produced in Japan. Another opportunity lies in beef sales.

The following figures demonstrate the potential for enhanced beef sales. Total meat consumption in Japan grew from 3.5 kilograms per person in 1960 to 22 kilograms in 1980, with high quality beef and veal consumption increasing from 1.1 kilogram to 3.5 kilograms per person. Despite this rise, however, that level equals only one-tenth of U.S. beef consumption and one-fourth of that of Western Europe. In 1981, per capita carcass weight beef consumption averaged 11 pounds in Japan, a stark contrast with the United States 106-pound average. With the Japanese diet in transition since World War II and fish stocks off Japan's coast decreasing, its citizenry is becoming increasingly reliant on beef imports for protein.

INTERNAL JAPANESE RESISTANCE TO IMPORT INCREASES

The need for increased imports and the desirability of freer trade policies, however, seem to be ignored by the Japanese, especially the farming sector. Japanese farmers are dead set against any change in the current import policies. On April 23, an estimated 8,000 farmers took to the streets in Tokyo chanting "No more beef, no more oranges," a direct protest against the U.S. request that import quotas on 22 agricultural and fishery products, including beef and oranges, be dropped. According to a report in the May 1982, issue of the London Economist:

"Japanese have been fed with horror stories in the newspapers and on the air waves about what could happen to local agriculture if the Americans were allowed to export more of their cheap beef and delicious oranges. Nightmares of a farming system reduced to the near starvation level of 1945 are conjured up. The Japanese are told that they are already dependent on foreign supplies for nearly half of their daily diet of 2,500 calories. What if the Americans should once again slap embargoes on certain food exports?"

Why the campaign to create mass hysteria? Moreover, why do the Japanese perpetuate an agricultural commodity where the average farm size is less than 3 acres, compared to 450 acres in the United States? Why the campaign in an economy which suffered in 1980 its worst rice crop in 26 years? Why the hysteria when 1981 wheat production was virtually equal to that of 1980, despite a 17-percent increase in harvested area? Why the hysteria when only 13 percent of Japanese farmers are full-time operators and only 14 percent of the land is suitable for agricultural use?

Part of the answer lies in basic Japanese law. The 1961 Agricultural Basic Act, for example, perpetuates small-scale operations. It allows imports to be controlled if they threaten domestic farm prices, thereby keeping domestic prices and income high. The Japanese Ministry of Agriculture, Forestry and Fisheries estimates that such a program cost the Japanese $14.7 billion in 1979, an amount equivalent to 28 percent of gross agricultural income.

Similar subsidy programs benefit Japanese beef producers, enabling the nation to provide 75 percent of its own beef requirements. Although the average Japanese herd size is 5-6 head, a complicated system of prices, supports, import quotas, feeder-calf stabilization schemes, direct grants, and low-interest loans for capital and operating expenses, and direct breeding assistance sustain the Japanese beef producers. Costs are high. By comparison, the average cost of production per hundredweight of slaughtered cattle in the United States in 1979 was $65.74; it was $140.91 for a Japanese dairy steer and $218.27 for a Japanese breed Wagyu steer. As a result, the average retail price of beef in Japan was $6.77 per pound in 1981 compared to $2.40 in the United States. Retail prices for boneless sirloin averaged $14.40 during 1979-81 compared to $3.50 in the United States. High demands and artificial limitations on supply, coupled with small scale production, inefficient feeding practices and high livestock mortality keep Japanese beef expensive.

JAPANESE FARMERS HOLD POLITICAL CONTROL

A recent article by Aurelia George in the journal Pacific Affairs provides an explanation for Japanese obstinacy on these points:

"It is widely recognized that, in matters of agricultural trade and farm policy, the Japanese government is influenced more strongly by political factors than by considerations of economic efficiency or comparative advantage. The ruling Liberal Democratic Party (LDP) is commonly portrayed as captive of domestic farming interests and bound to the dictates of an electoral strategy aimed at preserving a voting base in rural areas."

Labeled by George as a "well-mobilized and vocal political force," Japanese farmers must be reckoned with in any debate on Japanese trade policy. With membership concentrated in a single association of agricultural cooperatives, Nokyo, 5 million voices and a half million personnel speak together on any political debate, making it the largest single organization in the country.

Indicative of Nokyo's control over the agricultural sector is the fact that virtually all of the rice, over 90 percent of the milk, almost 90 percent of the vegetables and fruits, over 80 percent of the eggs and pork and 80 percent of the beef sold in Japan is marketed through Nokyo's 10,000 member cooperatives.

Unchallenged economic power, matched by its political control—especially of agricultural policy—makes Noyko a potent force indeed. It has automatic consultation rights and even acts as administrative agent for numerous programs, including payments to producers. Despite a 43.6 percent decline in the agricultural workforce during 1965-78—from 10.09 million to 4.69 million workers—Noyko remains a potent voting block because total agricultural population declined only 7.8 million during that same period, from 30.0 million to 22.2 million. That figure represents 20.45 percent of the national electorate of 16.2 million eligible voters. Failure to reapportion the Diet since its creation further enhances the electoral power of the rural vote, providing these rural and semirural constituencies 30 percent of the total delegates in the Japanese Diet. Given the slow declines in farm acreage and household population expected, Nokyo's ability to expand its services into nonfarm areas and its activism on the part of favored candidates, the agricultural imbalance in the Japanese political system promises to remain in the foreseeable future.

As a result of this political potency, George says:

". . . the LDP allows no major items affecting its rural clients to go unquestioned. In pursuing its stated political objectives of providing market and price stability for farm products, income equity across various sectors of the economy, maintenance of agriculture as a viable industry and security of food supply, the Government has created a comprehensive system of state control and support for agriculture. This system has led to considerable intervention in price determination and in matters relating to agricultural production, development and trade."

Such is the control of the agricultural sectors that:

"Although bureaucracy in Japan has traditionally played an active and decisive role in the policy process, Government decisions affecting agriculture carry such political import that they are not left to the bureaucracy to make." George said.

DESPITE HIGH PRICES, CONSUMERS SUPPORT THESE POLICIES

Despite the fact that Japanese consumers endure some of the world's highest food prices, they seem allied with the farmers on this protectionist policy. A recent survey in Japan reportedly revealed that 70 percent of Japanese consumers were willing to forgo less expensive imported food stuffs in favor of increased domestic prices. They endure higher domestic prices as well, allocating 32 percent of their consumer expenditures to food compared to 17 percent in the United States. Staples such as rice, bread, and beef sell at two to three times the average world prices.

No constituency for lower prices exists, especially one that disregards the interests of farmers. Noyko's efforts to forge a "community of interest" between urban residents and rural producers further undermines any chance for change in the absence of political support within the Diet for consumer interests. Rather, competing political parties attempt to outgun each other on the issue of support for farmers.

As a result of this intense concentration of decisionmaking authority, a general agreement on agricultural policy has emerged, George states. The most important facet of that agreement is a "national recognition of the need for a stable and guaranteed food supply, even at the risk of alienating consumers by high food prices, taxpayers by large budget deficits and overseas trading partners by import controls and tariff barriers." This policy process culminated in an April 1980 diet resolution which called upon the Government to "take every possible measure to enhance the country's food self-sufficiency and develop the agriculture and fishing industry with a view to ensuring the security of the people."

This food security commitment places tough obstacles in the way of foreign traders, and rightly or wrongly, justifies protectionism. As Mr. George suggests, it provides a "convenient guise of 'national interest' for special concessions to sectoral interests."

QUOTA INCREASES INSUFFICIENT

No wonder American negotiators face such obstacles in negotiating with the Japanese on the elimination of these trade barriers. At best we seem capable of eliciting from the Japanese only meager increases in quotas. That approach, however, accomplishes little.

Dr. Fred Sanderson, noted expert on Japanese food security issues and a Brookings guest scholar, challenges the Japanese approach to the goal of food security. He states: "Obviously there are better solutions than to try to grow enough food in Japan to guard against any disruptions of world trade. In any case, it's not a practical proposition. It cannot be done. The next best solution is to provide more security of supply through international agreements."

If such agreements would be consummated, what would this do to the Japanese farmer? Dr. Sanderson suggests a solution to the food security which would benefit all parties involved, the farmer as well as the American exporter and the Japanese consumer.

According to Dr. Sanderson, the distributors' profits and the Livestock Industry Promotion Corp. (LIPC) take a large share of the price markup on imported beef—causing the difference between the average $2 per pound U.S. price and the $15 per pound Japanese retail price. The LIPC is designed to channel resources to the Japanese farmer to improve meat production efficiency, but "apparently very little is actually used for this purpose." Moreover, "the system provides little incentive or pressure to improve efficiency. Rather, it creates a vested interest in inefficiency," Sanderson said.

A resolution of the import restriction-farm protection conflict, Dr. Sanderson says, would be for elimination of all quantitative restrictions on beef imports, leaving intact only the 25 percent duty. Under such a system, he projects that domestic market price would fall 50 percent, consumption increase 70 percent, and imports rise 250 percent, of which half could be expected to be supplied by U.S. farmers and ranchers who now have roughly 27 percent of the import market.

Of course, such a drastic price drop would have a devastating impact on Japanese beef producers. Deficiency payments, however, could easily remedy that problem. Sanderson notes that proceeds from the remaining 25 percent duty would cover 30 percent of the cost of the deficiency program. The remainder of the program expenditures could be financed directly by the Government or through a temporary 50 percent surcharge. Under the latter approach, Sanderson still expects prices would drop 30 percent, consumption rise 42 percent and imports climb 150 percent. Increased foreign competition would also push Japanese producers to improve the efficiency of their own operations, where much improvement is possible. Under such a system all parties, the Japanese consumer, the Japanese farmer and the American farmer, would benefit and United States-Japanese trade relations would improve markedly.

Sanderson predicts that a similar drop in orange quotas would enable both foreign and domestic producers to tap an as yet underdeveloped market for orange juice, allowing the United States to reap about half of the expected $300-$400 million sales increase. Although Japanese consumption of fresh oranges is twice that per capita as the United States, total fresh orange and orange juice consumption per capita in the United States doubles that of Japan. Japanese oranges do not produce high quality juice, thus accounting for the current limited market. Increased customs receipts could then be channeled into diversification of the industry.

A RESPONSIBLE SEARCH FOR SOLUTIONS NEEDED

The debate on the terrible domestic content bill should demonstrate to Japan the frustations faced by the American public and its elected representatives regarding our bilateral trade regulations. Unless some progress occurs soon, the Japanese will be faced with stern, protectionist measures such as H.R. 5133. The international damage which that measure would cause must be avoided at all costs. But, the Japanese must step forward and make an effort to develop meaningful solutions to these conflicts.

We need to break through the wall of protectionism, not just reduce it brick by brick. Regardless of political conditions, the Japanese must assume the responsibilities of a leading world trader. They cannot continue piecemeal, grudging changes. No longer can they be allowed to drag their feet and to reject each American proposal with a "But that's not possible" response. As Dr. Fred Sanderson suggests: ". . . I believe is is not sufficient for Japan to simply continue with the process of small increases in the import quotas. What is called for in this situation is a change in the system."

The alternative that I just suggested is but one of the many possible options which our two nations can and must explore. In the strongest possible terms I urge the development of continuing dialogue on the matter between the Congress, the administration and the Japanese Government—one that continues unabated until these perceived inequities are removed.

The United States and Japan form one of the world's most important bilateral alliances. Intransigence on trade issues must not be allowed to destroy this key relationship. Both countries, however, must act responsibly to explore all avenues of compromise to resolve these conflicts.

It would be well to note the comments of the highly respected U.S. Ambassador to Japan, Mike Mansfield. Earlier this year he addressed the Foreign Correspondents' Club of Japan. In that speech, Mansfield warned our nations:

". . . Both of us bear a responsibility for ensuring that the current trade problem does not reach proportions whereby it causes even more severe strains in our overall relationship. If this were to happen, it would be much more difficult for the industrial democracies to deal together with the important problems we face—problems that are crucial to world peace—problems such as Russian troops in Afghanistan, the Polish situation, the concerns for the developing countries, the glogal negotiations. . . ."

98TH CONGRESS
1ST SESSION

H. R. 1240

To require the President to take certain actions to obtain relief from nontariff trade barriers imposed by foreign countries against agricultural goods produced in the United States.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 3, 1983

Mr. BEREUTER (for himself and Mr. DASCHLE) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To require the President to take certain actions to obtain relief from nontariff trade barriers imposed by foreign countries against agricultural goods produced in the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as "The Fair Trade for Agriculture Act".

SEC. 2. FINDINGS; STATEMENT OF PURPOSE.

(a) FINDINGS.—The Congress finds that—

(1) trade in agricultural goods is a vital part of the United States economy;

★

(2) many countries are increasingly imposing nontariff trade barriers on the importation of United States agricultural goods;

(3) such barriers include, but are not limited to, the market domination of national monopolies and cartels, quotas, discriminatory restrictions on licensing and foreign exchange, local content requirements, minimum export requirements, discriminatory health, safety, testing, grading, or environmental standards, discriminatory tax policies, and other discriminatory restrictions;

(4) the effect of such barriers has been to discriminate against imported agricultural goods and to deny the benefits of trade on a reciprocal basis; and

(5) such discrimination—

(A) results in a less open trading system and a distortion of the market system, and

(B) works to the disadvantage of all countries, particularly countries (including the United States) which adhere to a free market system.

(b) PURPOSE.—It is the purpose of this Act to encourage—

(1) adherence to the principles of the existing international trading system, and

(2) the operation and development of a fair and open international trading system, by promoting the

principles of reciprocal market access for agricultural goods.

SEC. 3. AMENDMENTS TO THE TRADE ACT OF 1974.

(a) IMPOSITION OF RECIPROCAL TRADE RESTRICTIONS.—Chapter 1 of title III of the Trade Act of 1974 (19 U.S.C. 2411 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 307. IMPOSITION OF RECIPROCAL TRADE RESTRICTIONS.

"(a) DETERMINATION BY THE PRESIDENT.—The President shall—

"(1) within 90 days after the date of the enactment of this section, identify any foreign country that imposes nontariff trade barriers on the importation of agricultural goods produced in the United States that burden or restrict United States commerce or impair the growth of markets in that foreign country for agricultural goods produced in the United States; and

"(2) within 120 days after such date of enactment, prepare a list of all countries determined under paragraph (1) to impose nontariff trade barriers on agricultural goods produced in the United States, together with a description of the nontariff trade barriers so imposed.

The President may, at any time after the end of the 90- and 120-day periods described in paragraphs (1) and (2) of this subsection, make a determination described in paragraph (1) with respect to a country and add to the list described in paragraph (2) that country and the nontariff trade barriers imposed on agricultural goods produced in the United States by that country.

"(b) ACTION ON PETITIONS AND RESOLUTIONS.—

"(1) FILING OF PETITIONS.—Any interested person may file with the United States Trade Representative a petition that sets forth allegations that a foreign country is imposing nontariff trade barriers on the importation of agricultural goods produced in the United States that burden or restrict United States commerce or impair the growth of markets in that foreign country for agricultural goods produced in the United States.

"(2) ACTION BY TRADE REPRESENTATIVE.—Upon the filing of a petition under paragraph (1) of this subsection, the United States Trade Representative shall, within 60 days after the filing of such petition, determine on the record, after an opportunity for a hearing, whether the allegations set forth in the petition are true. The United States Trade Representative shall inform the President of any determination made pursuant to this subsection that any such allegations are true. If unable to make a determination within the 60-day period described in this paragraph, the United States Trade Representative may extend that 60-day period by an additional period of 30 days if the Trade Representative notifies the parties involved of the extension and the reasons therefor.

"(c) IMPOSITION OF RECIPROCAL RESTRICTIONS.—In any case in which the President determines pursuant to subsection (a) or the United States Trade Representative determines pursuant to subsection (b) that a foreign country is imposing nontariff trade barriers on the importation of agricultural goods produced in the United States that burden or restrict United States commerce or impair the growth of markets in that foreign country for agricultural goods produced in the United States, the President shall, within 60 days after such a determination, and notwithstanding any trade agreement in effect between the United States and that foreign country, impose trade restrictions on the importation of all products of that foreign country into the United States which will have an economic effect equivalent to the nontariff trade barriers imposed by that foreign country. Such trade restrictions with respect to that foreign country shall remain in effect until the President, acting through the United States Trade Representative, determines that the foreign country has removed the nontariff trade barriers determined to exist pursuant to subsection (a) or (b).

"(d) RESPONSIBILITIES OF TRADE REPRESENTATIVE.—The United States Trade Representative shall—

"(1) issue regulations concerning the filing of petitions under this section;

"(2) keep any person filing a petition under this section regularly informed of all determinations and developments concerning the petition; and

"(3) submit a report semiannually to the House of Representatives and the Senate describing the petitions filed under this section and the determinations made (and the reasons therefor) pursuant to the filing of the petitions.

"(e) PUBLICATION IN FEDERAL REGISTER.—The President shall publish in the Federal Register each determination made pursuant to subsection (a) and all actions taken pursuant to subsection (c). The United States Trade Representative shall publish in the Federal Register each determination made pursuant to subsection (b).

"(f) REPORT TO CONGRESS.—The President shall report to the Congress the results of all determinations made pursuant to subsection (a) and all actions taken pursuant to subsection (c).

"(g) JUDICIAL REVIEW.—Any determination of the United States Trade Representative under subsection (b) shall be subject to appeal and review as a final agency action in accordance with chapter 7 of title 5, United States Code.

"(h) DEFINITION.—For purposes of this Act, the term 'agricultural goods' shall mean: any raw or processed agricultural product (including, but not limited to, meat or meat byproduct, poultry, grain, rice, oilseeds, citrus fruit or citrus fruit product, and timber or timber product).".

(b) CONFORMING AMENDMENT.—The table of contents of the Trade Act of 1974 is amended by inserting immediately after the item relating to section 306 the following new item:

"Sec. 307. Imposition of reciprocal trade restrictions.".

STATEMENT OF ROBERT B. DELANO, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. Chairman, I am Robert B. Delano, President of the American Farm Bureau Federation. The American Farm Bureau Federation is a general farm organization made up of more than 3 million member families. I am also a farmer. I grow soybeans, corn and wheat on my farm in Virginia.

Farmers and ranchers are in the midst of troubled times. This Committee is well aware of the sagging farm economy; the rise in farm debt, depressed prices, and the inability to find sufficient market outlets for farm commodities and products.

Regrettably, the long streak of a dozen years or more of record breaking U.S. farm exports was severed in Fiscal Year 1982 when exports declined from $44 billion to $39 billion in value. Volume was also off.

Some of the factors producing this darker export picture were: (1) oversupply on a market weakened by severe worldwide recession, (2) shrinking world trade, (3) strengthening of the U.S. dollar in relation to certain other currencies, (4) a shift in trade patterns because of previous embargo experiences, (5) an increase in protectionism, and (6) unfair trade practices.

The period of most rapid growth in U.S. agricultural exports was during the decade of the 1970's when our sales to overseas customers more than doubled.

Those extremely good years may never be repeated. They certainly can be forgotton forever unless the problems of protectionism and unfair trade practices can be resolved.

I would like to address these two deterrents to U.S. farm exports as they apply to Japan, the European Community (EC) and the more affluent developing countries, which appear to offer the best market potential for U.S. agricultural exports.

JAPAN

Last year I led a delegation of 24 State Farm Bureau Presidents to Japan to express the concern of American farmers and ranchers over the Japanese quotas and tariffs which limit the access of 22 different agricultural commodities and products into the Japanese market. This effort on our part was to give the strongest support possible to Ambassador William E. Brock and his colleagues who have the most difficult task of conducting trade negotiations in order to gain better access to the Japanese market for American farmers and ranchers.

While in Japan we pointed out to the various trade interest groups and to members of the Japanese Diet that although we appreciate Japan as our number one foreign customer of American farm products, there is a growing concern over the trade problems between our two countries.

These trade issues, if not resolved fairly quickly, will, we believe, result in actions which could be harmful not only to those in Japan who are interested in freer trade but also to the American farmer who is so dependent upon export markets for his livelihood.

We provide almost all of the soybeans that the Japanese use and more than half of their wheat and feed grains. However, for value-added products and those commodities which can be produced in Japan we find that the Japanese have erected trade restrictions against their importation. These restrictions are expressed in terms of quotas, tariffs and health and sanitation requirements designed to exclude or severely limit importation. They have, indeed, effectively restricted entry of job producing value-added products and farm commodities which are competitive with domestic Japanese production.

We spoke to the Japanese about the $20 billion U.S. trade deficit with Japan which some economists forecast will be $25 billion annually in the near future.

These deficits and these limits on access to the Japanese market are occurring when the economy of the United States is in deep recession. Furthermore, the Japanese not only have these restrictions on trade but also, as this Committee knows, have restrictions on American services and American investments in the Japanese economy. We pointed out while in Japan that Japanese firms trading in agricultural commodities are free to invest here, are free to trade in American commodities and are making investments in grain elevators and other facilities to enhance their export business from the United States. The same privileges are not accorded to American investors who could serve a useful purpose in the Japanese market by presenting a challenge to the "old boy" system. This system restricts competition and results in lower imports of U.S. commodities such as feed grains and higher prices to the Japanese farmer who uses compounded feed made from the imported grain.

We understand that open markets can improve the Japanese standard of living by as much as 30 percent.

Compared to Americans, the Japanese now spend about one-third more of their disposable income for food. Full market access could save each Japanese family one-fourth of their monthly food budget.

Japanese citizens need additional protein sources. The fish catch is declining and will decline more rapidly in future years. Japanese consumers want more good meat and meat products -- at affordable prices.

A pound of beef steak that sells for about $4 in California, and only $4.50 in Hong Kong, costs $15 or more in Tokyo. In a free Japanese market that same steak should sell for about the same price as it does in Hong Kong.

Japanese people eat only about 5 kilos of beef each year compared to about 47 kilos of beef eaten by each American every year.

We know there is a great demand in Japan for more red meats. We see Japanese visitors to the United States carry back armloads of meat in special gift packages from U.S. airports.

We were told by the American restaurant owners in Japan that they could use many times more American beef then they are able to obtain under the Japanese quota system.

We know that the Japanese people enjoy fresh fruits. We saw melons selling in Tokyo from $6 to $20 each. Apples, pears and persimmons each sell for about a dollar. A simple item such as a cherry pie has a Tokyo price of $12. Such prices are neither necessary nor desirable.

We have difficulty understanding why Japanese duties on U.S. citrus range from 20 to 40 percent of its value. This is in addition to quantitative restrictions. Japanese quotas allow only 4 1/2 million cartons of fresh oranges to sell each year -- yet we know there is demand for far greater amounts. Only about 100 Japanese companies are now licensed to receive fresh oranges. Because supplies are kept low while demand remains high, Japanese profit margins are excessive -- with 250 percent profit on a carton not uncommon.

As a result, Japanese consumers must pay nearly three times as much as they should pay for fresh oranges -- and Japanese per capita consumption of fresh oranges is about one-tenth of that in nearby Okinawa where prices are not kept artifically high.

Just as Japanese automobile manufacturers produce a quality product competitively priced, the American farmer and rancher produces a top quality product competitively priced. Freer trade would benefit both countries. We asked the various groups in Japan -- consumers, laboring people, manufacturers and even Japanese farmers who could enjoy lower feed cost if American investment were allowed in that country -- to help us liberalize these Japanese trade restrictions. We will continue our efforts in this country toward freer trade, including Japanese products, which are desired by the American consumers because of their quality and price competitiveness. We have told the Japanese in our visits there that everyone is hurt by such things as a duty that doubles the price of corn or triples the price of an orange or a pound of beef or pushes the price of American cigarettes 50 percent higher than domestic brands.

American agriculture is highly efficient. We invite Japan to benefit more from our efficiency as we benefit from theirs. The Japanese Diet should ignore the scare tactics of the protectionist groups in Japan who are peddling the line that America cannot be relied on as a future supplier of their food needs because of the exhaustion of our soils, water and other natural resources. This is simply not true.

The Japanese Government should develop trade policy on the advice of the "Wisemen" of the Japan/U.S. Economic Relations Council who have called for a stop to dangerous protectionism in both countries. These Wisemen recommended elimination of trade quotas. They said that agricultural trade between us should be liberalized, and that foreign investment should be encouraged. American farmers also join the Japanese Wisemen Group in their concern.

EUROPEAN COMMUNITY

In order to support the efforts of Ambassador Brock and Secretary Block in their efforts to resolve our trade problems with the EC, I led a group of 22 State Farm Bureau Presidents to Brussels and selected European capitals.

To our European friends we said that we support the principles of the General Agreement on Tariffs and Trade and encourage trade conducted in accordance with the GATT.

In good faith -- and with Farm Bureau support -- the Congress endorsed the results of the "Tokyo Round" -- and they are included in our Trade Agreements Act of 1979.

This acceptance was based on confidence that other member-nations -- including those of the European Community -- would abide by these agreed-upon trading rules. We have been forced to question whether our confidence has been misplaced.

Many of our people are discouraged to see efforts made to undo zero duty bindings and to capture markets from traditional suppliers by extensive use of export subsidies which are granted in a manner never envisioned under the subsidies code. These trading issues are placing our trading relations under severe stress.

Hunger that prevailed in Europe during and following World War II could understandably be used to argue for self-sufficiency in European agriculture. However, through the use of farm price supports at above market levels, Europe has built what some have described as a "subsidized export machine".

Certainly, the EC has moved into leading export roles in international trade by means of export subsidies. The Community is now challenging Australia as the third largest exporter of wheat.

Sugar exports have more than doubled in four years, affecting not only sugar exports from Brazil, the Phillipines and Australia, but also the U.S. domestic market price. The Community is now the largest exporter of poultry with 35 percent of the world trade in broilers. The Community is the second largest exporter of beef and veal and closing rapidly on Australia, the number one supplier.

These rapid changes from importer, to self-sufficiency, to exporter have been achieved through the use of export subsidies. This relieves the EC of its agricultural surpluses at the expense of other countries that have traditionally supplied export markets.

When it comes to trade, a national government's internal policy is strictly the business of that government -- to the extent that results of the policy are confined within its borders.

When problems created by a nation's troublesome internal policy are exported -- then it becomes everyone's problem and everyone's business.

The European Community -- through the device of "CAP" -- the Common Agriculture Policy -- spends tremendous sums of money to guarantee artificially higher prices. This incentive also guarantees commodity surpluses produced at costs higher than world markets.

U.S. farmers are concerned when they see the EC capture $25 billion worth of agricultural export business annually through the use of about $8 billion in export subsidies.

MORE AFFLUENT DEVELOPING COUNTRIES

While many of the more affluent developing countries are experiencing recession as are the industrialized countries, these countries offer the best market potential for needed growth in U.S. farm exports. Some of these countries such as Korea have already joined the $1 billion club. That is, they import more than $1 billion worth of U.S. farm commodities annually.

Many of these countries benefit from favorable tariff treatment under GSP and receive U.S. economic assistance. These countries must be made to realize that their reliance on trade restrictions, quotas, tariffs and non-tariff barriers invites similar actions from other countries and, therefore, works against their economic development.

PLAYING BY THE RULES

The question then arises as to what can be done when rhetoric and negotiations do not gain access to markets nor remove unfair trade practices.

There are those who suggest we now are on the brink of a global trade war -- a war none of us want, none of us can afford -- and which would produce only losers.

Certain EC countries seem upset that the United States would dare subsidize flour into Egypt -- something that they have done for years to successfully capture two-thirds of that market.

Because certain countries are not playing fair in the international trade arena, Farm Bureau at its annual meeting in Dallas last month adopted policies that will support the use of export subsidies to recapture stolen markets. Hopefully, such actions, instead of starting a trade war, will help strengthen on-going negotiating efforts.

LEGISLATIVE AND ADMINISTRATIVE SUPPORT

Farm Bureau compliments Secretary Block and Ambassador Brock in their efforts and patience to bring resolution to our serious trade defference with some of our best and most promising customers. However, we believe that in those areas where negotiations combined with rhetoric have not produced the necessary results, that perhaps a combination of continued negotiations and trade actions must be employed.

Therefore, Farm Bureau urges those legislative and administrative actions necessary to meet the competition presented in world markets not only by subsidized prices but also by subsidized export financing.

We would like to see more markets targeted for action as was Egypt for wheat flour.

If we do not respond with stronger export financing programs and competitive pricing, we shall see our markets further eroded.

We also urge that the pressure be kept on the Japanese and other nations for better access to their markets, realizing that there must be some give on our part for better access to U.S. markets for their products. In this respect, Farm Bureau, at our Dallas convention last month, ratified resolutions in opposition to protectionist legislation such as the domestic content bill.

Mr. Chairman, Farm Bureau appreciates and will support the efforts of this Committee to provide the USDA, USTR and other U.S. Government agencies the "tools" necessary to face reality in export markets. We must have growth in farm exports rather than the erosion that we are currently experiencing.

STATEMENT OF WILLIAM W. GASTON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, GOLD KIST INC., ATLANTA, GA.

Mr. Chairman, I am Bill Gaston, President of Gold Kist, the regional marketing and farm supply cooperative based in Atlanta.

I am here today in my capacity as Chairman of the National Council of Farmer Cooperatives' Blue Ribbon Trade Committee.* The National Council represents two million owner-members of more than 6,400 farmer cooperatives which accounted for nearly $4 billion in agricultural exports in 1981.

Our membership includes 114 regional marketing and farm supply cooperatives, the 37 banks of the cooperative Farm Credit System, and 31 state councils of farmer cooperatives.

The National Council commends you, Mr. Chairman, and the members of your Committee for taking up agricultural economic and trade legislation as the first priority of the new session. We would like to thank you for giving us the opportunity to present our recommendations to improve the U.S. agricultural situation.

We at the National Council firmly believe that an improvement in the agricultural economy will occur only through enactment of programs which will reduce domestic carryover stocks by improving agricultural export volumes and values.

As you know, in fiscal 1982, the gross value of U.S. agricultural exports declined by $4.7 billion from $43.8 billion to $39.1 billion. This 11 percent decline was the first since 1969. The Department of Agriculture currently projects that the value of exports will drop another $2.1 billion in FY'83. But even worse, the Department projects a volume decline in FY'83 from 163 million metric tons to 155 million metric tons.

The decline in export values is due to lower commodity prices and an increase in movement of basic commodities in place of higher-value products. The volume decline is a measure of the weakness in demand.

*Other members of the Blue Ribbon Trade Committee are: John F. Anderson, Farmland Industries, Inc.; Wayne C. Anderson, Central Bank for Cooperatives; Richard E. Bell, Riceland Foods; Russell Hanlin, Sunkist Growers, Inc.; Allen D. Hanson, Grain Terminal Association; Norman Harvey, Agri-Mark, Inc.; William A. Hiller, Agway; Ben F. Morgan, Dairymen, Inc.; Clark Ewen, American Crystal Sugar Company, and Glenn Webb, GROWMARK, Inc.

There are six reasons for these declines:

First is the Worldwide Recession -- The depressed world economy has dampened growth in the demand for agricultural products, particularly in the middle and high income countries. In 1978, GNP grew at an annual rate of four percent in the industrialized countries and 3.8 percent in the LDC's. In 1982, the growth rates fell to .4 percent in the industrialized countries and 2.5 percent in the LDC's.

The larger declines in values of U.S. agricultural exports from 1981 to 1982 were in Latin America, down $1.9 billion; Asia, down $1.3 billion, and Eastern Europe, down $1 billion.

Second is the Strength of the U.S. Dollar -- During much of the 1970's, a weak dollar stimulated demand for U.S. products which were relatively cheap when purchased with strong foreign currencies. However, over the past two years, the value of the dollar has increased by 20 percent against other currencies. Since September 1981, the USDA's index of trade-weighted dollar exchange rates for all U.S. agricultural exports has increased 30 percent. The increase was led by wheat, up 39 percent, corn up 32 percent, and soybeans up 23 percent.

Third is the Debt of Many Potential Importers -- Many of the nations currently experiencing credit problems represent some of our most important markets. They include Mexico, Poland, Brazil, Peru, Venezuela, Bolivia and Romania. The debt burden in developing countries exceeded $600 billion at the end of 1982. More than half of that is owed to commercial banks in the West. In Central and South America alone, the accumulated foreign debts approach a staggering $240 billion - more than triple the debt of just six years ago.

The downturn in imports of U.S. agricultural goods is perhaps most visible in Eastern Europe. This region, once one of the most promising growth markets, has seen imports of U.S. agricultural goods decline by 55 percent in the first half of fiscal year 1982, compared to the same period in 1981.

Fourth is the Increased Use of Production and Export Subsidies by the EC -- The EC's aggressive use of export programs to dispose of surplus stocks generated by their high internal support prices has made the Community a major contender for world markets. Consider these facts:

-- EC exports to countries outside the Community have more than doubled in five years.

-- The EC's 1982 exports of over $80 billion in farm products to all sources will continue two decades of uninterrupted gains in farm exports.

-- EC exports of close to $30 billion to non-EC member countries in 1982 will be approximately three-fourths of the entire U.S. export level.

This dramatic growth is closely correlated with increases in export subsidies, In 1976, the EC exported $12 billion of agricultural commodities to non-EC members, using approximately $2 billion in direct export subsidies. In 1982, the EC exported nearly $40 billion of agricultural commodities to non-EC members using nearly $8 billion in direct export subsidies.

The combined budget for domestic and export subsidies for the EC was $30 billion in 1982.

The EC admits that their farm exports must be subsidized to be sold outside the Community. Recently, EC butter prices were 53 percent higher than the world market, wheat prices were 38 percent higher.

In addition to the burden of paying for production and export subsidies, Britain's Institute for Fiscal Studies estimates that import levies added $19 billion to consumer food costs in 1982.

The following is a comparison of U.S. and EC support prices for 1982-83:

Commodity & Unit	U.S. Support Price*	EC Support Price**
Wheat (MT)	$148.63	$209.10
Barley (MT)	119.35	179.27
Corn (MT)	106.38	179.27
Rice (paddy) (MT)	239.20	290.55
Soybeans (MT)	184.23	527.40
Milk (100 kgs)	28.88	26.81
Butter (100 kgs)	330.69	349.70

Fifth was the Embargo of the Soviet Union -- The U.S. share of Soviet grain imports dropped from 70 percent in late 1977 to 17 percent after the 1980 embargo. It recovered to only 30 percent in 1982, pointing out that the problem of reliability, coupled with continued East-West tensions, continues to hamper our trade prospects with the Soviet Union.

Sixth is the Intrusion of Brazilian Soy Products on World Markets -- The U.S. soybean processing industry is located in the midst of the world's largest supply of soybeans. Its plants operate with the greatest efficiency and at the lowest cost in the world.

*U.S. support prices are target prices for wheat, barley, corn and rice; loan rate for soybeans; support price for manufacturing milk containing 3.5% fat; CCC purchase price for butter (bulk, Chicago) at October 1, 1982.

**EC support prices are intervention prices for barley, corn, rice and butter; reference price for milling quality wheat; target price for milk; guide price for soybeans. Covered at 1 ECU = $1.00 at mid-1982.

But during the seven years from 1973-74 to 1980-81, the U.S. industry lost significant world share of crush volume and exports of meal and oil. These are the results:

-- U.S. share of world soy meal exports declined from 78 percent to 39 percent.

-- U.S. share of soy oil exports declined from 64 percent to 24 percent.

-- U.S. crushing margins, as indicated by USDA's weekly calculation of central Illinois spot margins, declined from 72 to 23 cents per bushel.

-- Utilization of U.S. plant capacity declined from 83 to 71 percent.

-- U.S. stocks of soy oil rose to 700,087 metric tons, equal to 106 percent of total exports for the year.

These disastrous trends, which continue today, are the products of extensive subsidies, particularly in Brazil, compounded by U.S. export embargos in 1973, 1974, 1975 and 1980. As you well know, these embargoes and the threats of embargoes have relegated the U.S. to the position of residual supplier to the world.

In 1973-74, the world soybean meal market was 6.4 million tons. The U.S. supplied 78 percent, or five million metric tons, and Brazil supplied the remaining 22 percent, or 1.4 million metric tons.

By 1980-81, the world market had grown to 15.5 million metric tons. U.S. volume increased to 6.1 million metric tons, but our market share dropped to 39 percent. Over this same period, Brazil increased its market share to 55 percent, exporting 8.6 million metric tons.

In soybean oil, Brazil was not a supplier in 1973-74. The U.S. had 64 percent of the world market, the EC had 27 percent and all others 9 percent. But by 1980-81, Brazil had jumped to 45 percent of the world soybean oil market. The U.S. share had declined to 24 percent, while the EC's share had fallen to 14 percent.

How did Brazil gain this market dominance?

Brazil had employed a complex combination of tax incentives, subsidized financing, price controls, quotas, export rebates and credits, restitutions to crushers and income tax exemptions in order to build an industry that now dominates the world soybean oil market.

For example, earnings from soybean oil exports are exempt from income tax in Brazil. Futures market gains from authorized hedging on the Chicago Board of Trade are also exempt from income taxes, while corresponding hedging losses are deductible for income tax purposes.

The Brazilian soybean industry enjoys the full support of its government's treasury and is rapidly forcing all other suppliers out of the world market.

The question is: What must be done to regain all of these lost export markets?

American industry has not been sitting idly on the sidelines waiting for the Federal government to take up its international trade disputes.

There are currently 12 petitions pending before the Office of the U.S. Trade Representative under Section 301 of the Trade Act of 1974. Five of the cases concern European Community agricultural subsidy practices, one concerns EC tariff preferences, one concerns Argentina's export restrictions on cattle hides, and five concern domestic subsidy practices of five countries where specialty steel is produced.

The wheat flour petition dates back to December 1975. The complaint alleges that the EC used unfair export subsidies to gain a dominant share of the world trade in wheat flour. The recent sale to Egypt was welcomed by the Millers' National Federation as an answer to this long-pending case.

Other agricultural cases involve citrus, dating back to 1976 and alleging that preferential import duties were established by the EC for citrus fruit and juices being imported from the Mediterranean countries. EC exports of sugar were challenged in a suit filed in October, 1981. The National Broiler Council and others challenged subsidy programs of the EC, and particularly France, in a poultry case filed September 17, 1981. Pasta, canned fruit and raisins are the subjects of other suits that were filed in 1981.

Until now, the EC has been successful in postponing action on these cases by proposing study after study while they continue to erode our traditional markets. The wheat flour sale to Egypt was a start, but we must continue with an aggressive program that will convince the EC, Brazil and the rest of the world that we are not going to give up our markets without a fight.

The Administration and Congress have taken other steps in recent months to help improve agricultural exports. These include implementation of the $1.25 billion Blended Credit Program, approval of the contract sanctity provisions of the CFTC reauthorization bill, and a long list of consultations with various trading partners over specific trade matters.

While we applaud these export initiatives, we urge the Senate, the House and the Administration to undertake a number of other aggressive efforts to get us back on the road to agricultural recovery.

We urge you to include the six following export initiatives in the bill this Committee reports to the full Senate.

(1) Authorize an export market enhancement program (i.e. Export "PIK"). The export market enhancement program recommended by the National Council's Blue Ribbon Trade Committee authorizes the Secretary of Agriculture to use surplus CCC commodities as incentives to increase normal commercial export sales.

Under this program, USDA would set export targets by commodity for the marketing year. The export target for each commodity would be based on either a moving average of imports or a projection of the current year's imports. Once the importing country reaches its export target, the CCC would offer surplus stocks of the commodity based on dollar volume of purchases above the target.

The Secretary would be given authority to set the bonus at the level necessary to stimulate additional purchases. In addition, the customer would be permitted to substitute dairy products for the original commodity as part of the bonus transaction.

As a safeguard, the Secretary would have the power to deny bonus commodities to any country found to be transhipping commodities.

For example, Korea imported an average of 1.95 million metric tons of wheat each year over the past three years. If that volume was established as Korea's target, the Commodity Credit Corporation would grant bonus certificates to Korea for each dollar of wheat they purchased above their target.

The bonus certificates would be used by Korean importers to purchase additional quantities of wheat from CCC inventory. In addition, we recommend that the Secretary be given authority to issue bonus certificates for commodities not currently in CCC inventory, including poultry and raisins.

(2) The National Council strongly endorses the provision in your bill, Mr. Chairman, which requires the annual export sale of 150,000 metric tons of dairy products in fiscal years 1983-85.

The Commodity Credit Corporation currently owns about 1.1 million metric tons of surplus dairy products. This includes 582,000 tons of non-fat dry milk, 190,000 tons of butter and 343,000 tons of cheese.

While we recognize the danger of mandating specific volumes in legislation, this burdensome inventory must be disposed of in an orderly manner. The question this provision proposes is: Should the annual amount be increased in an effort to reduce our burdensome inventory? We think it should.

(3) We strongly endorse Senator Mattingly's bill which would make surplus CCC commodities available to the poultry industry.

A dramatic decline in broiler exports has occurred over the past 15 months. U.S. poultry and egg exports dropped 33 percent in value, from $770 million in 1981 to $515 million in 1982.

Within the poultry meat category, total chicken exports were 236,620 tons with the value of $244.6 million, down 31 percent and 40 percent respectively. For chicken exports, USDA's Foreign Agricultural Service reported these results and comparisons:

Quantity

Category	1981	1982	Change
	-- Metric tons --		%
Young Chickens, whole	134,521	38,863	-71
Chicken parts	191,682	188,395	- 2
Fowl	17,842	9,362	-48
Total	344,045	236,620	-31

Value

Category	1981	1982	Change
	$ millions $		%
Young Chickens, whole	169.5	43.0	-75
Chicken parts	212.5	190.1	-11
Fowl	22.8	11.5	-50
Total	404.8	244.6	-40

The major reason behind the dramatic decline in U.S. poultry exports was the rapidly expanding use of export subsidies by the European Community and Brazil. In 1964, the U.S. share of the Middle East whole chicken import market was 44 percent but declined to essentially 0 in 1982.

In the EC it is very difficult to calculate the total amount of direct and indirect export subsidy payments made to EC broiler exporters. Recently published EC direct export subsidies for broilers are 9.7¢/lb or $214/ton. Indirect export subsidies add another $50 or more per ton. In the U.S. poultry industry, which measures its profits in pennies per pound, these EC subsidies amount to 12¢ or more per pound. The industry estimates that EC broiler exporters received subsidies both direct and indirect of over $100 million in 1982.

Brazil employs an even broader variety of subsidy programs. Results of these are shown in bids which were submitted just 10 days ago on a sale to Middle Eastern countries.

The U.S. bid was $1,355 per metric ton. Brazilian bids ranged from a low of $912 per ton to a high of $965 per ton. A French supplier bid $1,017, and a Japanese firm bid $1,259 per metric ton to supply chickens from Turkey.

Clearly, the Brazilians are not able to price their product one-third lower than ours without substantial subsidies. In 1982, Brazilian exporters received in indirect broiler export subsidy compensation of approximately $125 million according to industry estimates.

The U.S. poultry industry has an important stake in world export markets. It is too large and too important to our national economy to permit foreign competition to use subsidies to seize increasing market shares without being challenged.

The National Council recommends that direct action, such as that contained in Senator Mattingly's bill, be taken to stop the continued growth of export subsidies by the EC and Brazil.

Supplying our poultry industry with surplus corn, wheat, and dairy products will provide the assistance needed to regain many of the markets lost to foreign subsidies.

(4) The National Council supports Senator Wilson's proposal which sets aside $20 million of the remaining $90 million made available in the Omnibus Budget Reconciliation Act of 1982 for expanding raisin and canned fruit exports. As you may know, Mr. Chairman, in September of 1981, a number of California agricultural groups filed a Section 301 petition alleging that the EC's production subsidies adversely affects U.S. commercial interests and violates GATT. Specifically, the petition alleges that EC production subsidies on canned peaches, pears, and raisins have resulted in displacements of U.S. exports of those products to the EC.

Even though a number of consultations have been held concerning this complaint, the problem has not been resolved. The National Council firmly believes that the U.S. must take strong actions to protect the foreign markets of our raisin and canned fruit industry. The Committee will hear more about the raisin and canned fruit export situation from Frank Light, President of Sun-Diamond Growers of California and Kalem Barserian, General Manager of the Raisin Bargaining Association, both of whom are members of the National Council.

(5) The National Council supports provisions which expand the Section 416 authority to donate CCC commodities to needy persons in foreign countries. To increase acceptance of donations, the USDA should pay a portion of the costs of transporting the commodities.

This action will be powerful in demonstrating that our nation is not solely concerned with commercial export availability, but also recognizes the humanitarian responsibilities of being the most efficient food producer in the world.

(6) The National Council supports Senator Dixon's bill to emphasize shipments of value added products through Titles I and II of the P.L. 480 program. We would recommend that this be a fundamental concept incorporated into all aspects of trade legislation.

High value products currently account for about 55 percent of total world agricultural trade. By exporting higher value products, we keep jobs at home and earn greater profit margins on the goods sold. Last year, U.S. exports were about 70 percent in lower value products and 30 percent in higher value products.

Among American products, many opportunities exist for the sale of such higher valued products as broilers, pork, oil seed meal and oil, cereal preparations, fresh fruits and vegetables.

How much difference does processing make in the payoff for exporters?

A million dollars worth of soybeans is increased to about $3 million worth of soy products.

A million dollars worth of wheat is transformed into $8.8 million worth of wheat flour.

Depending on the commodity, one billion dollars worth of higher value products can generate from 35,000 to 45,000 jobs in processing, transportation and distribution.

The National Council supports the Dixon bill and all other efforts to keep jobs here at home by exporting further-processed commodities whenever possible.

All of these actions recommended by the National Council represent partial solutions to the agricultural dilemma we face today. These actions will help reduce burdensome carryover stocks, expand commercial trade, increase employment and reduce farm program costs.

However, we in agriculture must also begin to plan ahead for the future in terms of our trade policy.

One major problem we will face in the next decade is the availability of credit to finance our agricultural exports. Given the tremendous debt burdens of many of our major customers, the U.S. cannot expect to experience a growth in exports without a substantial agricultural export credit program.

The National Council strongly believes that an agricultural export revolving fund, along the lines of that authorized under the Dole bill, should be established. This fund would be used to finance U.S. agricultural exports, with repayment terms being over the period of 3-7 years.

We also recognize the severe budgetary problems which the CCC currently faces. Given this budgetary constraint, we urge this Committee to use funds generated by any adjustment in target prices for the 1984 and 1985 crop years to establish an export revolving fund.

The true long-term solution to the trade issues we are discussing is for representatives of the governments of all agricultural exporters to meet and to agree on certain ground rules which will govern future trade policy.

Many of us thought that had been accomplished in the Tokyo round of GATT negotiations.

In the years since those agreements were reached, there have been many changes in government leadership in the countries represented. Some have elected to disregard the GATT agreements to the detriment of all involved.

We as a nation should take the lead in bringing about some order in international trade. Any time a government interferes with a free and competitive market, it interrupts the long-term adjustments it will make and this hurts everyone associated with that market.

Each of us, in both the public and private sectors, must take advantage of every opportunity we have to bring about an end to these trade problems. It is imperative that we as a nation take immediate and decisive action to stop the unfair competitive activities of other exporters. While we would not close the door on negotiation, there has been for too much talk and far too little action thus far.

Thank you, Mr, Chairman, for this opportunity to present the views of the National Council of Farmer Cooperatives.

STATEMENT OF LEE CAMPBELL, PRESIDENT, POULTRY AND EGG INSTITUTE OF AMERICA

Mr. Chairman, Members of the Committee, my name is Lee Campbell. I am President of the Poultry and Egg Institute of America, Arlington, Virginia, a national non-profit trade association representing those who produce, process and distribute chickens, ducks, eggs, turkeys and poultry and egg products.

The National Turkey Federation, Reston, Virginia, representing the turkey producers of this nation, has asked me to inform you that it endorses, also, the views I am expressing here today.

The poultry and egg industry of the United States does not receive the benefits of any government support program, any price or production control program. It is true that our industry has been experiencing financial difficulties, there is no secret about that. It was made abundantly clear in 1982 that one major factor in our industry's problem was the loss of export markets. Thus, these hearings and the proposed legislation you are considering here today, are of importance to our industry. We compliment the Chairman, and others in the Senate, for taking to heart the export problems we face and for seeking to improve what is a deplorable situation.

In the late 1950's export sales were virtually non-existent. Through strong market development efforts, in cooperation with the U.S. Department of Agriculture's Foreign Agricultural Service, we were able to build record exports of poultry and eggs through 1981. Exports of poultry meat reached nearly 400,000 metric tonnes in 1981 (over 2½ times the yearly average of 1974-78). Shell egg exports reached 93 million dozen as compared with 20 million average in the 1974-78 period. Egg products shipments of 34,500 m.t. compared with 6,380.

This was done in spite of adverse elements that exist in the international marketing of poultry and eggs. These elements may be limited access to markets or other non-tariff barriers.

Even so we were unable, for example, to capture even a third of the tremendous world export market growth for broiler chickens and similar comparisons can be drawn for other industry commodities. The export subsidies of our competitors, in amounts that are staggering, prevented us from fighting competition and getting a share of an expanding market.

In 1982, the strength of the U.S. dollar combined with the large subsidies paid by our competitors, especially the European Community and Brazil, and played havoc with our industry's efforts to develop and maintain international markets.

Exports of U.S. broilers fell 71% in 1982, shell egg volume dropped 30%, egg products were off 45%. Virtually every other commodity we sell abroad showed losses in volume. The value of our exports dropped from $769,000,000 to $514,822,000.

The U.S. poultry and egg industry was the first to feel the brunt of the European Community's Common Agricultural Policy which on the one-hand severely limits the export of our products to the EC and on the other-hand provides high levels of subsidies to compete with us in third-country markets.

That's why we awaited with anticipation the Multilateral Trade Negotiations. Unfortunately, we got little from those negotiations. One thing did emerge -- a Subsidies Code. We thought it offered a medium for solving the problem that exists against our trade and, thus, in September 1981, the broiler industry set out to test that code through a Section 301 petition.

You, Mr. Chairman and members of this Committee, have been very helpful to us in this effort which even so still shows little progress.

The European Community has used every delaying tactic at its command.

We had hopes that the GATT Ministerial Conference late last year would be helpful in gaining relief from the unfair subsidies employed by the European Community. The results of the Ministerial were totally unsatisfactory, of absolutely no help to our industry, nor to all of agriculture, we submit.

It became even more evident that the United States had to take action for the purpose of creating free and open markets without subsidies. The attitude of the EC, expressed time and time again, makes it clear that there is no indication of giving way on subsidization. Thus, we continue to be faced with unfair competition and having our markets taken away.

The United States attempted to persuade the EC. That failing, action was and is necessary.

It should be made clear that our industry, generally, is philosophically opposed to the use of subsidies. But having come to the realization that we must fight fire with fire, so to speak, in an effort to secure fair trading rules we have supported a variety of steps the U.S. government could take to send a signal to the European Community and others that the U.S. does not intend to sit idly by as our markets are taken. We have urged and support offering U.S. stored dairy stocks on the world market to the highest bidder, the use of subsidies on selected agricultural products to targeted markets, the buying down of interest rates for exports, the use of payment in kind programs for export.

We are highly appreciative of the steps taken so far by the Administration to show the EC that the U.S. is tired of competing with subsidized product in the international market place:

1) The blended credit program that among other things caused France to lose a grain order in Morocco.

2) The payment-in-kind export agreement on wheat flour to Egypt, a procedure that took a market from Europe.

It is ironic that the EC, according to reports, expressed deep concern with the implications of the wheat flour sale to Egypt and have subsequently filed a complaint against us in GATT. It has been amazing to me that the Europeans continue to express concern that the United States would even consider using the same tactics that we have come to expect as normal from the EC.

While the Europeans, as usual, cry out loudly against our using their own tactics, bilateral trade discussions last week in Brussels did not show any willingness on the part of the EC to reduce their subsidies and once again trade discussions have come to naught.

Mr. Chairman, exports are important to our industry. We must market internationally. The U.S. demand for poultry and eggs isn't growing as measured by dollars. We know that if we get fair access to world markets we can compete any where in the world.

While we have contended that the Administration has available authorities to engage in actions that would help dissuade the European Community and others from their unfair subsidies, we are pleased that the Senate and this Committee has before it the proposals being considered and we commend the Committee.

While all the proposals could, we believe, be of benefit to our industry, we are pleased that S. 251 specifically requires that at least $20 million of the funds made available under Section 135 of the Omnibus Budget Reconciliation Act of 1982 be used in FY 1983 for U.S. poultry and eggs. It may take more, Mr. Chairman, if we are to finally participate in the world market fairly.

Mr. Chairman, our industry needs exports even though exports represent only a relatively small part of our total production. Jobs are at stake, especially because we are producing added-value processed products. We need to be able to compete with unfair government supported competition. First, we need assistance to enable us to compete. Second, and even more important, we need every action possible by our government to seek an end to subsidized competition and fair access to markets abroad.

We appreciate the opportunity to express our views on these issues and urge that export equity legislation be reported for action by the Senate.

STATEMENT OF GEORGE B. WATTS, PRESIDENT, NATIONAL BROILER COUNCIL

Mr. Chairman, I am George Watts, President of the National Broiler Council, a Washington-based trade association representing the producer/processors of over three-fourths of America's broiler chickens.

With a critical export situation facing the American broiler industry, the National Broiler Council welcomes and appreciates this timely opportunity to share our industry's views. Our members support the efforts of this Committee to find a solution to the unfair competition we are experiencing from the heavily government subsidized broiler exports of the European Community and Brazil.

Situation In 1982

U.S. broiler production in 1982 increased 1%, about in line with our population growth. For an industry that in recent history has been increasing output about 3% per year, the 1% increase was a significant adjustment. In normal years, such a modest increase would have resulted in an economic recovery for the broiler industry. However, the conditions in 1982 were not normal. Rather, since we lost almost one-third of our chicken exports in 1982 compared to the year before, this non-exported product was added to the domestic supplies for U.S. supermarkets. Stated another way, instead of exporting 6% of our production last year as we did in 1981, we exported 4%.

The price impact of not exporting 2% of our output is clear. Last year the wholesale broiler price received by the broiler producer/processor was 44.0¢ per pound, on a ready-to-cook (r.t.c.) basis, according to the U.S. Department of Agriculture -- 5% below the 46.3¢ received the year before. With broiler marketings of over 12 billion pounds (r.t.c.) in 1982, this 2.3¢ decrease in price per pound represented lost revenues in excess of $275 million. While our lost exports cannot account for all of this $275 million in lower dollar sales, it is apparent that a significant portion can be attributed to this factor.

Section 301 Petition

In 1981, it became more obvious than ever to us that the continually increasing levels of export subsidies being granted to the European Community (primarily the French) and Brazilian broiler exporters, were leading to a virtual halt of our broiler exports going to the Middle East market. Although the United States had, until 1981, enjoyed expanding broiler exports to the Middle East in tonnage terms, we were, nonetheless, sustaining a dramatic slippage in market share during the last decade or more. Since U.S. broiler exports are not government subsidized, we were forced to play the role of being a residual broiler supplier to world markets.

When we filed our Section 301 (of the Trade Act of 1974, as amended) petition with the U.S. Trade Representative in September 1981, we recognized our market share was going to continue to erode unless our government acted in a timely and effective manner. We have to admit we were surprised and dismayed at how rapidly the Middle Eastern whole-carcass broiler market vanished for us in 1982. While we expected fewer shipments to the Middle East market last year, we did not expect the door to be slammed shut so abruptly and completely by our subsidized competitors in the EC and Brazil. The Middle Eastern broiler market represents imports of about 750,000 metric tons. The U.S. share in 1982 was less than one-half of one percent -- essentially zero.

Acting in response to our Section 301 petition, our government has sought a fair solution through the General Agreement on Tariffs and Trade. The EC and Brazil, have not taken our GATT challenge seriously, however, because we lack "leverage," as Secretary John Block told a Congressional Committee last week. Our industry's petition has languished far too long.

Last month many of the members of this Committee and your fellow Senators -- 29 in all -- urged Ambassador William Brock to redouble his efforts to bring the poultry petition to a successful conclusion. We appreciate greatly the support of the 29 Senators who co-signed the recent letter to Ambassador Brock, as well as the other Senators and Congressmen who wrote and talked with the Ambassador about our Section 301 petition. We know the U.S. Trade Representative is committed, but "leverage" is needed to resolve our complaint in a reasonable and successful manner.

Support for "Export PIK"

Recognizing the need for "leverage" the National Broiler Council Board of Directors last month voted to support the concept of using government surplus commodity stocks as a tool to regain lost broiler markets overseas. This concept -- the so-called "export payment-in-kind" provision -- is embodied in bills now being considered by this Committee. Broiler producers have historically avoided turning to the government for a solution to their problems. However, we reluctantly come to the conclusion that there is no other reasonable way to compete against the EC and Brazil at this time. We are hopeful that this short-term measure will lead to a longer term solution.

Without decisive and meaningful action on our part, we will sustain further losses in the broiler export markets. You don't have to gaze very deep into the crystal ball to see that the next U.S. export market in jeopardy is the Far East broiler parts market. Although the United States was able to hold its own in this market last year, the threat from EC and Brazilian exports to the Far East market is rapidly becoming more real as unsold inventories of broilers build in France and Brazil.

Though the United States is the most cost-efficient producer of high-quality broilers in the world, our industry cannot overcome export subsidy levels being granted to our foreign competitors. For example, the European Community on February 1, 1983 increased the export subsidy for whole-carcass broilers to 9.7¢ per pound. In 1981 the European Community spent $74 million for poultry export subsidies and over $90 million was budgeted for 1982. In addition to EC subsidies, the French government grants substantial indirect national subsidies to its broiler producer/exporters. The combination of EC and national subsidies are estimated by industry to exceed $100 million last year. Similarly in Brazil, broiler exporters receive a number of indirect subsidies from their government: reduced credit arrangements for financing exports, forgiveness from income taxes on profits from exports, and reduced feed costs, to name just three programs. In 1981 Brazilian producer/exporters received $37 million in indirect government subsidies through the government credit program alone, according to USDA estimates. In 1982 government subsidies allowed Brazilian broiler producer/exporters to purchase corn for $5 per metric ton compared with a U.S. market price for corn of about $100 per metric ton. In sum, the subsidies received by the Brazilian broiler exporters probably equal, or may even exceed, the subsidy per pound enjoyed by the French producer/exporter.

Action Needed

The Committee has under consideration a number of bills which address our agricultural export problems. Each bill contains features that we would view as most helpful in providing U.S. producers with an opportunity to compete in international markets.

As the Committee decides which features to include in a trade legislative package, we would specifically urge you to report a bill that authorizes an "export payment-in-kind" program. This type of program -- as witness the recent U.S. wheat flour sale to Egypt -- has gained the attention of the European Community. We believe that a similar program for broilers -- using corn and possibly other commodities from Commodity Credit Corporation stocks -- would be a giant first step toward regaining broiler export markets lost to unfairly subsidized foreign competitors.

STATEMENT OF ALBERT E. POPE, PRESIDENT, UNITED EGG PRODUCERS, DECATUR, GA.

Mr. Chairman, my name is Albert E. Pope, and I am President of the United Egg Producers (U.E.P.), a national federation of egg marketing cooperatives. I am here today to testify in support of your efforts and the efforts of several other Senators and Congressmen on the most important issue facing agriculture today -- trade. We commend this Committee and its Chairman, Senator Helms, for providing the initiative and leadership necessary in developing agriculture trade policies.

U.E.P. has four regional marketing cooperative members. They are the National Egg Company of Norcross, Georgia, which represents producers in the Southeast; Northeast Egg Marketers Association of Durham, New Hampshire, which represents producers in the Northeast; Midwest Egg Producers Cooperative Association of Eldridge, Iowa, which represents producers in the Midwest; and West Coast Egg Producers of Olympia, Washington, which represents producers in the West. Each of these regions are independent cooperatives made up of individual producers. The producers chose to federate into a national organization and elect representatives to our board of directors. This grassroots base provides U.E.P. with the ability to work in the interest of the commercial egg producer and collectively develop new and greater opportunities for the industry.

We are extremely concerned and distressed by the current state of the American agricultural economy. In terms of real income, farm income is at its lowest level since the Great Depression. In human terms, there are thousands and thousands of family farmers who have worked hard to produce the food and fiber for this nation over a long period of time who suddenly see their entire life's work being wiped out. 1982 was bad enough, but we see the prospects of more and more farm bankruptcies and foreclosures within the next few months--more than most of us have seen in our lifetime.

Agriculture relies significantly more on export than any other industry. One of every three acres of farm land that is planted is for export. Agriculture exports in 1981 were $43.8 billion, 19% of the total $233.7 billion in U.S. exports. When agriculture exports were balanced against imports, they were $26 billion on the positive side of the U.S. balance of trade. In addition, for every billion dollars in agriculture export, there is an increase of at least 26,000 jobs. We cannot afford to ignore the benefits that American agriculture has for the economy, especially now! Egg producers are one of the hardest hit commodity groups in agriculture today! The number of egg-producing farms has dropped from 6,200 to 4,700 within the last 30 months. In 1981, the national gross income from the sale of eggs was $3.66 billion, an increase of 11 percent from the $3.27 billion income in 1980. A significant contributing factor to the 1981 increase was the sale of U.S.-produced eggs and egg products in overseas markets. In 1981, nearly 3 million cases (30 dozen per case) of eggs were exported by U.S. egg producers, representing two percent of total production. But in 1982, gross income decreased 7.2 percent to $3.4 billion, and exports have been cut in half to approximately 1.5 billion cases. More recently, when exports could be expected to increase, they have virtually been eliminated. Primary foreign markets for U.S. eggs have been captured by the European Economic Community due to their subsidies of up to 11.5 cents per dozen.

U.S. egg producers were disappointed and frustrated with the results of the recent ministerial meetings with the General Agreement of Tariffs and Trade (GATT) in Geneva. The EEC's response was unacceptable. Protests have been registered from the U.S. agricultural community concerning foreign subsidies resulting in prices substantially below those of U.S. producers in specific markets. These subsidies are direct violations of the international agreement for open and fair competition established by the GATT, but, to date, our protests have been in vain.

Principally, the EEC and Brazil are contributing to the devastation of the economy of the U.S. egg industry through the use of price supports and subsidies to European egg producers. Exporters of eggs in the EEC and Brazil have achieved, as a direct result of these subsidies, more than an equitable share of the world export trade in eggs. In addition, such export subsidies have resulted in prices that cannot be matched in world markets, even though U.S. egg producers are the most efficient in the world.

The recent announcement to loan Brazil $1.2 billion to assist their financial obligations was of concern to the U.S. agricultural community. Brazil has subsidized their producers to compete with the U.S. in the world market. Recently, Brazil signed a contract with Iraq to deliver 60,000 tons of poultry at prices $400 per ton below the sales price of U.S.-produced poultry, then, on top of that, they were given 400 days, without interest, to make the first payment. However, we understand that Brazil has recently agreed to cease such subsidies of agricultural exports.

The nation's farmers are going out of business, not only because of the loss of overseas markets, but as the result of a failure of national leadership in creating policy to utilize on the power of U.S. agriculture.

The Administration and U.S.D.A. must develop policy that will capitalize on the power of U.S. agriculture, benefiting agricultural producers and citizens equally. In relation specifically to foreign subsidies, the rhetoric by U.S. officials and those ministers attending the GATT is over. IT IS TIME TO "FIGHT FIRE WITH FIRE", and send a clear signal to the EEC that the artificial means of reducing the price of their products in world markets is illegal and will be opposed.

Today, this Committee is discussing several bills which provide for an export Payment-in-Kind program. It is evident that Congress is ready to send our competitors a very clear signal. But it is imperative that the program is implemented as soon as possible to relieve the domestic market of surplus products.

Currently, the Commodity Credit Corporation (CCC) has the authority to dispose of surplus agricultural commodities to aid in the development of foreign markets for agricultural commodities. This authority is granted to the CCC in its Charter Act, 15 U.S.C. Section 714c.

Mr. Chairman, at this time U.E.P. would like to submit as evidence so they may be noted in the hearing record, the comments marked Exhibit A & B that are attached to my written statement. These comments were submitted to the USDA in response to the interim rules published in the Federal Register for the acreage diversion PIK program. The comments, Exhibit A submitted by the poultry and egg sector in general, and Exhibit B submitted by UEP in particular, propose that the acreage diversion PIK program be amended to include an export provision. It is important to note that there already exists ample authority to implement this export Payment-in-Kind program. Now, since Congress has shown its intent to provide for such a program, we believe that the Secretary of Agriculture should implement the export Payment-in-Kind program immediately. We request that each member of this Committee write the Secretary of Agriculture in support of these comments.

In regard to the economic plight of U.S. agriculture in other areas, we proposed the formation of a coalition of commodity groups to work "hand-in-hand" with government in developing agriculture policy under the leadership of the U.S. Department of Agriculture.

In closing, the United Egg Producers wholeheartedly support this legislation and thank the members of this Committee, and its Chairman, for their efforts in solving a problem of tremendous magnitude. I appreciate your allowing me to testify and would be happy to address any questions you may have.

(Exhibit A)

February 10, 1983

Director, Analysis Division, ASCS
U.S.D.A. -- Room 3741, South Building
P.O. Box 2415
Washington, D.C. 20013

Re: Export Equalization Program Payment-In-Kind (PIK)

We submit the following comments on the Interim Rule published in the Federal Register establishing a special program of Payment-in-Kind for Acreage Diversion (48 FR 1476, Jan. 12, 1983). While we applaud the efforts of the Secretary of Agriculture to reduce burdensome farm surpluses through this program, we feel that it is deficient in one respect. It does not provide for a program for converting surplus feed grains into poultry, eggs, and livestock products that can be exported. Because of export subsidies of other areas, particularly the European Common Market, American producers are unable to sell in market areas in which we should be competitive.

Proposal

We propose that the Department of Agriculture amend its regulations to establish a special program for the export of poultry, eggs, and livestock through Payment-in-Kind donations of feed grains. We propose that either organizations or individuals who can demonstrate the ability to increase exports by receiving surplus feed grains from the Commodity Credit Corporation qualify for assistance under this program. We propose that the export commodities that would qualify for feed grain donations under this program would be poultry, eggs, and their by-products.

Need for Program

The United States Department of Agriculture has instituted a blended-credit program in an effort to make U.S. agricultural commodities more competitive in foreign markets. Even with this program, certain of our agricultural commodities have not become competitive in foreign markets due to foreign government export subsidies, which lower the price of foreign agricultural commodities. In addition, record production of feed grains, coupled with weak world-wide demand and severe financial problems for some of our major foreign customers, has created an undesirable surplus of feed grains. Accordingly, the disposal of certain levels of feed grains are necessary to offset foreign government subsidies on certain commodities and to reduce the excess surplus of feed grains.

U.S.D.A. studies have shown that there should be increased emphasis placed on exporting finished agricultural commodities. Exporting finished agricultural commodities raises the total dollar value of exports, offers opportunities for added employment, and stimulates the economy of the country.

This program complements and strengthens the objectives and goals of the Payment-in-Kind program. However, the Payment-in-Kind program promulgated in the Federal Register, will not reduce the surpluses of agricultural commodities until the harvest season. In contrast, this program will affect the stocks of surplus agricultural commodities immediately upon its effectuation. Therefore, the program complements the PIK program by providing for the immediate reduction of surplus commodities;

But, this program has additional benefits such as:

(1) Providing for the exportation of finished agricultural commodities, which will substantially increase the total value of exports;

(2) Providing the opportunity for greater employment within the agricultural industry and related processing industries.

Statutory Authority

The program could be conducted pursuant to the authority of the Commodity Credit Corporation Charter Act. Several provisions of the Act provide authority for this program. The Act specifically authorizes the Commodity Credit Corporation to:

,"(d) Remove and dispose of or aid in the removal or disposition of surplus agricultural commodities, and

,"(f) Export or cause to be exported, or aid in the development of foreign markets for agricultural commodities."

(15 U.S.C. 714c.)

Thus, these sections provide the Commodity Credit Corporation with broad authority to dispose of surplus agricultural commodities and to aid in the development of foreign markets for agricultural commodities.

Conclusion

This program would allow domestic agricultural producers to compete for foreign markets which have previously been closed to them due to foreign subsidies. In addition, the program will help deplete the surplus amounts of feed grains currently held by the Commodity Credit Corporation. Since the statutory authority to implement this program already exists, it is imperative that the United States Department of Agriculture use its authority and implement this program.

Sincerely,

Albert E. Pope

Albert E. Pope

FOR: UNITED EGG PRODUCERS
NATIONAL TURKEY FEDERATION
NATIONAL BROILER COUNCIL
POULTRY & EGG INSTITUTE OF AMERICA

UEP
United Egg Producers

(Exhibit B)

February 10, 1983

Director, Analysis Division, ASCS
U.S.D.A. -- Room 3741, South Building
P.O. Box 2415
Washington, D.C. 20013

Re: Export Equalization Program Payment-In-Kind (PIK)

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Need for Program

The United States Department of Agriculture has instituted a blended-credit program in an effort to make U.S. agricultural commodities more competitive in foreign markets. Even with this program, certain of our agricultural commodities have not become competitive in foreign markets due to foreign government export subsidies, which lower the price of foreign agricultural commodities. In addition, record production of feed grains, coupled with weak world-wide demand and severe financial problems for some of our major foreign customers, has created an undesirable surplus of feed grains. Accordingly, the disposal of certain levels of feed grains are necessary to offset foreign government subsidies on certain commodities and to reduce the excess surplus of feed grains.

U.S.D.A. studies have shown that there should be increased emphasis placed on exporting finished agricultural commodities. Exporting finished agricultural commodities raises the total dollar value of exports, offers opportunities for added employment, and stimulates the economy of the country.

This program complements and strengthens the objectives and goals of the Payment-in-Kind (PIK) program. However, the Payment-in-Kind program promulgated in the Federal Register, will not reduce the surpluses of agricultural commodities until the harvest season. In contrast, this program will affect the stocks of surplus agricultural commodities immediately upon its effectuation. Therefore, the program complements the PIK program by:

(1) Providing for the immediate reduction of surplus commodities;

(2) Reducing the burden on the taxpayers to provide storage for surplus agricultural commodities;

But, this program has additional benefits as:

(1) Providing for the exportation of finished agricultural commodities, which will substantially increase the total value of exports;

(2) Providing the opportunity for greater employment within the agricultural industry and related processing industries.

Statutory Authority

The program could be conducted pursuant to the authority of the Commodity Credit Corporation Charter Act. Several provisions of the Act provide authority for this program. The Act specifically authorizes the Commodity Credit Corporation to:

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Thus, these sections provide the Commodity Credit Corporation with broad authority to dispose of surplus agricultural commodities and to aid in the development of foreign markets for agricultural commodities.

Program Provisions

We propose that the Payment-in-Kind program be amended to include the following provisions:

(a) That eligible organizations (cooperatives and Webb-Pomerene Associations) be permitted to enter into contracts with the Commodity Credit Corporation to obtain feed grains (corn and grain sorghum) from the CCC where the eligible organizations can demonstrate that the donation of these stocks will enable them to consummate a sale of eligible export commodities that they would be unable to consummate without the donation of these stocks.

(b) The eligible export commodities that will qualify for the feed grain donations would be poultry, eggs, and their by-products.

(c) In order to qualify, the eligible organization would be required to document that such organization had entered into a contract with a foreign buyer for a sale of the eligible export commodity, or the eligible organization would be required to demonstrate the ability to consummate a contract for foreign sale upon the commitment of a specific amount of feed grains from the Commodity Credit Corporation to the eligible organization.

(d) The Department of Agriculture would determine which proposals to accept and would make a determination of the quantity of grain to be donated to eligible export organizations based on:

(1) The quantity of feed grain donations necessary to make eligible export commodities competitive in the market affected by the organization's contract or potential contracts;

(2) the amount of subsidy being provided by rival exporting nations in the same commodity sought to be exported by the eligible organization;

(3) whether the sales would be additional to what would otherwise be possible without this program;

(4) how quickly the proposal would remove the greatest quantity of surplus grain from the United States;

(5) the soundness, reliability, and record of the eligible organization in exporting agricultural commodities;

(6) the extent to which the proposal would benefit a broad cross-section of the industry as opposed to one narrow part of the industry;

(7) the extent to which the proposal would form a basis for long-term increases in agricultural exports that are not dependent on subsidies;

(e) The eligible organization would be required to demonstrate to the U.S.D.A. that it is equitably apportioning the donated feed grains to the producer members who have produced the exported commodities.

Conclusion

This program would allow domestic agricultural producers to compete for foreign markets which have previously been closed to them due to foreign subsidies. In addition, the program will help deplete the surplus amounts of feed grains currently held by the Commodity Credit Corporation. Since the statutory authority to implement this program already exists, it is imperative that the United States Department of Agriculture use its authority and implement this program.

Sincerely,

Albert E. Pope

Albert E. Pope
President

STATEMENT OF MAURICE J. PICKLER, SPRINGDALE FARMS, NEW LONDON, N.C.

Mr. Chairman, my name is Maurice J. Pickler. I am an independent egg producer from New London, North Carolina. My brother Eugene and I operate Springdale Farms, which is a family-run business. I am proud to say that Eugene and I represent the fifth generation of egg farmers running Springdale Farms. I only hope our children and grandchildren will be able to continue this fine farming heritage in the years to come.

Today, I am here before you to convey how egg producers and other farmers have been seriously injured by the unfair trade practices of foreign competitors, and how an export Payment-in-Kind program, as proposed in S. 251, would help the egg industry regain its lost export markets in Third World countries.

The shell egg export market, as a percentage of total eggs produced in the United States, is small. Department of Agriculture statistics reveal that for the first nine months of 1981, only 68.3 million dozen eggs were exported out of a total of 4,300 million dozen produced. Therefore, only 1.6% of total U.S. egg production was exported. In 1982, exports were cut in half during the same period, with only 34 million dozen eggs exported. If the egg production lost in export sales is backed up into our domestic market, the price the producers can obtain [illegible] their eggs is adversely affected.

The egg industry is operating without regulatory controls or price supports and is dependent wholly upon the free enterprise concept. By this I mean that the egg industry has no government price supports as do cotton, tobacco, rice, wheat, corn or milk. In addition, there are no egg marketing or production orders, and until the Agricultural Marketing Order Act of 1937 is amended, eggs are specifically excluded from having such orders.

When markets that were previously open to a product are suddenly closed, the product begins to back up and oversupply is created. Oversupply in a free market, where the forces of supply and demand determine price, can severely depress the price of the product. The egg industry is suffering through this situation, with the problems of the industry magnified because the product produced is perishable. For example, producers are currently receiving 36.5 cents per dozen for Class 2 nest run eggs, compared to 64 cents per dozen for the same eggs last year. This represents a 44% decrease in the price which producers receive for their product.

The Department of Agriculture has instituted a blended-credit program in an effort to make U.S. agricultural commodities more competitive in foreign markets. But even with blended-credit programs, certain commodities, like shell eggs, have not become competitive in foreign markets due to the subsidies imposed by foreign governments, which artificially lower the price of foreign agricultural products. Currently, shell eggs are being quoted from the European Common Market at 17 cents per dozen less than we can quote eggs from the U.S., delivered to the same markets. Even with the egg industry's disadvantage in freight costs, we can be very competitive with our foreign counterparts because we have better supplies, higher quality and less expensive production costs. But, as you can see, foreign subsidies distort the export picture for U.S. commodities and eliminates us from markets in which we were traditionally heavy suppliers.

The Department of Agriculture developed a Payment-in-Kind program for acreage diversion. Today, the Committee has before it several bills which provide for an export Payment-in-Kind program. The United Egg Producers submitted comments on the interim rule established in the Federal Register on January 12, 1983, which proposed that the Department of Agriculture's Payment-in-Kind program be amended to include an export provision. Under such a provision, an eligible party could qualify for feed grain donations if that party could document that they had entered into a contract with a foreign buyer for the sale of poultry, eggs, and their by-products.

It currently takes 3.5 pounds of feed to produce one dozen eggs. Layer diets are 62.5% corn, and 22.5% soybean meal, thus 2.5 pounds of corn and one pound of soybean meal are needed to produce a dozen eggs. This works out to be approximately 1.5 bushels of corn and .5 bushel of soybean meal to produce one 30 dozen case of eggs. If egg producers were able to receive, from a Payment-in-Kind program, just the corn equivalent to produce one case of eggs for export, it would be equivalent to $3.50 a case at current corn futures prices, or 11.5 cents per dozen. (The same amount that the EEC is currently subsidizing their commercial egg industry.) This in turn would allow U.S. egg producers to export more eggs, which in turn would get rid of the current backlog, gain back our lost markets, and hopefully convey to our foreign competitors that we will not stand by while they undercut us on price and steal our share of Third World country export markets. I urge you all to take the lead and convey to the Department of Agriculture, by passage of these bills, that it should take the appropriate action to restore the U.S. agricultural community to its proper place as the leader in world food production.

Thank you very much for this opportunity to speak. I would be pleased to answer any questions you might have at this time.

STATEMENT OF DON LOESLIE, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. Chairman and Members of the Committee:

The National Association of Wheat Growers appreciates this opportunity to present its views on export payment-in-kind and other export expansion proposals. I am Don Loeslie, a Warren, Minnesota wheat producer and president of the National Association of Wheat Growers. Accompanying me today is Carl Schwensen, executive vice president of our organization.

Mr. Chairman, over the past decade we have seen a steady growth in U.S. wheat exports, and we had come to expect that with increasing world population, especially in underdeveloped nations, there would continue to be an increasing annual demand for U.S. wheat. However, increased output in other producing countries, coupled with competitive, and even predatory pricing practices, in the context of a worldwide recession, have caused U.S. wheat exports to stagnate. Exports are projected to decline this year, compared to last year, with little hope for improvement next year.

Slackened export performance and increased wheat production have caused a tremendous stock buildup. Wheat carryover stocks will reach record levels at the end of this season. We believe that an "export PIK" program, operated with domestic acreage adjustment programs will maximize stock reduction efforts and could add significantly to U.S. trade expansion efforts. We support proposals before this committee to implement such a program.

It is apparent, however, that the Commodity Credit Corporation will utilize all uncommitted wheat stocks in the domestic PIK program, and the recent Egyptian flour sale. We suggest that Congress authorize the Secretary of Agriculture to borrow from the Food Security Reserve to operate an export PIK program for wheat. This reserve contains 147 million bushels of wheat which were set aside following the 1980 Soviet grain embargo to insure that the U.S. could meet future P.L. 480 and emergency relief requirements. Recognizing that wheat supplies will be more than adequate to cover these needs, we believe that this wheat could be used now for export promotion purposes, and later replenished as provided in existing law. The current cost of storing this grain is about $50 million per year.

We would encourage inclusion of Food Security Reserve wheat under Section 6 of S.251, which expands authority for the use of CCC stocks for P.L. 480 shipments. We have been discouraged by faltering support and funding for this essential market development and humanitarian food assistance program, and by using Food Secruity Reserve stocks, which are currently serving no useful purpose, the program could be successfully used in conjunction with "export PIK" to revitalize cash-starved markets.

In addition, a specific exclusion in pending legislation from any cargo preference requirements for shipping "export PIK" commodities is essential to insuring the success of the program. Costs associated with cargo preference requirements would simply neutralize any price advantage created through the use of CCC-owned stocks in export sales. To illustrate this point, GAO has estimated that in 1981 the costs of applying cargo preference requirements for P.L. 480 shipments totaled $15.6 million, thereby reducing the quantity of food which could be made available to recipient countries.

The NAWG remains absolutely committed to the export development goals of the FAS Cooperator program, as well as the increased utilization of competitive financing. At the same time, however, we must be realistic in assessing the probable short-term growth in the ability of our customers to increase their imports, even with strong market development efforts. Sluggish worldwide economic conditions, and the relative value of the dollar, are two significant demand dampeners, and will continue to be strong negative factors for exports in the short term. The price effects of the domestic PIK program will not be felt for at least another year, and during this period farmers' incomes must be fully protected. For this reason, we do not believe that reducing target protection, in exchange for increased export promotion funding, would be a wise action at this time.

S. 100, introduced by Senator Boschwitz, recognizes the price disadvantage of U.S. agricultural exports caused by the relationship of the dollar to other currencies. Most international economists agree that this relationship will remain virtually unchanged over the short term, and the legislation would authorize the CCC to correct the price disadvantage through variable pricing of its export inventory.

This approach, along with additional export credits authorized in the various "export PIK" bills under consideration today, seem to offer a useful option in preventing further deterioration of the U.S. export position in world commodity markets. In this regard, we encourage the USDA to use all authorized export credit funds made available by the Congress - including $190 million authorized in last summer's budget reconciliation act for fiscal years 1983, 1984, and 1985, as well as the full $500 million in USDA's FY 1983 appropriations measure. Two hundred and fifty million dollars of this was recently committed by the President for use in the highly successful blended credit program and we urge that the remaining amount be used for similar purposes.

To build markets over the long term, we must look to more formalized trading arrangements with countries where purchase agreements, or other structures, would serve to increase U.S. exports in that market. The most notable example of the advantages of a purchase agreement in expanding trade is the U.S./USSR grains agreement and the NAWG has stongly encouraged the administration to take immediate action to invite discussions with the Soviets to renegotiate a new agreement to replace the one expiring this fall. The agreement should contain a higher minimum purchase commitment by the Soviets to reflect their increased import needs since the current agreement was signed in 1975. The President's December 31, 1981 postponement of long-term agreement talks prevents any movement towards negotiation of a new grain trading arrangement. As a consequence, the sanction has the effect of controlling exports, and it obstructs both USDA and farmer efforts to increase U.S. wheat exports and farm income.

The NAWG fully supports the recently negotiated flour sales agreement with the Egyptian government, and encourages USDA to continue seeking opportunities for more aggressive sales initiatives, especially in markets threatened by EEC subsidies. The agreement is a workable and innovative approach in meeting the needs of cash-deficient importers, and reducing excess supplies at the same time. It has been an action which has convinced the EEC that the U.S. will not be shoved out of markets because of predatory pricing on their part.

Mr. Chairman, we appreciate this opportunity to appear before you today, and I will be pleased to respond to your questions at the appropriate time. Thank you.

JOINT STATEMENT OF FRANK JOHANNSEN, COORDINATOR, NEBRASKA WHEAT STRIKE FORCE AND RON STODDARD, PRESIDENT, NEBRASKA WHEAT GROWERS ASSOCIATION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THE NEBRASKA WHEAT STRIKE FORCE AND NEBRASKA WHEAT GROWERS ASSOCIATION APPRECIATE THE OPPORTUNITY TO PRESENT OUR VIEWS ON TRADE ISSUES. THE "WHEAT STRIKE FORCE" IS A POSITIVE, CONSTRUCTIVE AND RESULTS-ORIENTED TASK FORCE OF THE NEBRASKA WHEAT GROWERS ASSOCIATION.

I AM FRANK JOHANNSEN, COORDINATOR OF THE NEBRASKA WHEAT STRIKE FORCE. ACCOMPANYING ME TODAY IS RON STODDARD, PRESIDENT OF THE NEBRASKA WHEAT GROWERS ASSOCIATION.

MR. CHAIRMAN, THE AVERAGE CASH PRICE OF WHEAT AT TWENTY SIX LOCATIONS ACROSS THE STATE OF NEBRASKA ON FEBRUARY 1, 1983 WAS $3.52 PER BUSHEL. WHILE THAT LOW PRICE CLEARLY POINTS OUT THAT WHEAT GROWERS ARE RECEIVING AT LEAST $2.00 PER BUSHEL LESS THAN THE COST OF PRODUCTION, THE NEGATIVE ECONOMIC SPIN-OFF REACHES WELL BEYOND THE INDIVIDUAL NEBRASKA WHEAT GROWER'S INCOME.

THREE DOLLAR AND FIFTY TWO CENT WHEAT SPELLS ECONOMIC DISTRESS FROM THE NEBRASKA FARM ON OUT INTO THE VERY MAINSTREAM OF THE U.S. ECONOMY. IT'S NO SURPRISE THAT TODAY'S ECONOMIC DEPRESSION COINCIDES WITH LOW COMMODITY PRICES AND REDUCED FARMER INCOME, CONSIDERING THAT AGRICULTURE IS THE NATION'S LARGEST INDUSTRY.

IT IS CERTAINLY NO SURPRISE TO THIS COMMITTEE THAT FARMERS AND THE AGRICULTURAL BASE OF THIS COUNTRY ARE IN DEEP TROUBLE. BUT SPENDING TIME AND ENERGY DWELLING ON A NEGATIVE SITUATION REALLY SERVES NO PURPOSE.

OUR PURPOSE FOR BEING HERE TODAY IS TO WORK WITH YOUR COMMITTEE IN AN EFFORT TO STRENGTHEN THE U.S. POSITION IN INTERNATIONAL AGRICULTURAL TRADE, RAISE FARM INCOME AND REVITALIZE THE U.S. ECONOMY. IT IS OUR BELIEF THAT THOSE GOALS CAN BE ACHIEVED IF THE U.S. GOVERNMENT AND FARMERS WILL USE THE TOOLS AND EXPERTISE AVAILABLE TO US IN AN AGGRESSIVE AND BUSINESS-LIKE MANNER IN THE INTERNATIONAL TRADING ARENA. ACTION BEING CONSIDERED BY YOUR COMMITTEE IS AN ESSENTIAL AND CONSTRUCTIVE STEP IN FURTHER ADDRESSING AGRICULTURAL TRADE ISSUES. THE NEBRASKA WHEAT GROWERS ASSOCIATION SUPPORTS THE FOLLOWING ACTIONS:

WHEAT EXPORT INITIATIVES

1. PL 480 -- THE LEVEL OF PL 480 TITLE I FUNDING SHOULD BE INCREASED BY $500 MILLION. THERE ARE NUMEROUS COUNTRIES INCLUDING BANGLADESH, KENYA, THE SUDAN, GHANA, SIERRA LEONE AND ZAMBIA WHERE

ADDITIONAL PL 480 WOULD BE USEFUL IN LIGHT OF THOSE COUNTRIES' LIMITED FOREIGN EXCHANGE AVAILABILITIES.

2. BLENDED CREDIT -- THE EARLIER $500 MILLION IN BLENDED CREDITS THAT HAS BEEN COMMITTED WAS VERY USEFUL IN LEADING TO ADDITIONAL EXPORT SALES OF WHEAT, AND THERE ARE EXTENSIVE OPPORTUNITIES FOR ADDITIONAL WHEAT EXPORTS THAT CAN BE DEVELOPED USING BLENDED CREDIT. WE WOULD SUGGEST THAT PROMPT CONSIDERATION BE GIVEN TO SYRIA, IRAQ AND INDIA AS CANDIDATES. IF ADDITIONAL PL 480 IS NOT AVAILABLE, BANGLADESH SHOULD BE CONSIDERED FOR BLENDED CREDIT, AND IN THIS OR SIMILAR CASES THE UNITED STATES MIGHT CONSIDER MORE GENEROUS TERMS THAN THE USUAL FOUR PARTS GSM 102 AND ONE PART GSM 5. THERE ARE NUMEROUS OTHER COUNTRIES WHERE BLENDED CREDIT COULD EFFECTIVELY BE USED INCLUDING CHINA, INDONESIA, PERU, YUGOSLAVIA, JAMAICA, THE DOMINICAN REPUBLIC, CHILE, ECUADOR, GUATEMALA, JORDAN, LEBANON, MALAYSIA, NIGERIA, PORTUGAL, SPAIN, SRI LANKA AND TUNISIA. WE STRONGLY URGE THAT EARLY CONSIDERATION BE GIVEN TO PROVIDING ADDITIONAL BLENDED CREDIT TO BRAZIL WHERE THE EUROPEAN ECONOMIC COMMUNITY IS MAKING A MORE AGGRESSIVE EXPORT EFFORT THAN IN PAST YEARS.

3. EXTENDED AGREEMENTS -- THE UNITED STATES SHOULD TAKE A CLOSE LOOK AT PROVIDING CONCESSIONAL CREDIT FOR "ADDITIONALITY" PURCHASES FOR SOME COUNTRIES OVER AN EXTENDED NUMBER OF YEARS.

> EXAMPLE: IF CHINA OR SOME OTHER COUNTRY AGREED TO INCREASE THEIR WHEAT PURCHASES ABOVE THE RECENT TREND LINE OF THEIR IMPORTS FROM THE U.S., WE SHOULD OFFER ATTRACTIVE CREDIT TERMS FOR ADDITIONAL INCREMENTAL PURCHASES. SUCH AN AGREEMENT COULD BE EXTENDED OVER SEVERAL YEARS AND REVIEWED ANNUALLY TO MAKE CERTAIN THAT BOTH SIDES WERE SATISFIED WITH THE AGREEMENT AND TO DETERMINE WHETHER A NEED EXISTED FOR CONTINUING THE ARRANGEMENT.
>
> IN THE CASE OF CHINA, THE U.S. SHOULD TARGET FOR ADDITIONAL SALES OF 500,000 TONS THE FIRST YEAR, ONE MILLION TONS THE SECOND, 1.5 MILLION TONS THE THIRD YEAR AND ONWARD. THIS TYPE OF AGREEMENT SHOULD EXTEND SEVERAL YEARS SO THAT PURCHASES DO NOT DROP OFF AFTER ONE OR TWO YEARS.

THIS APPROACH WOULD HELP OTHER COUNTRIES TO INCREASE THEIR STOCKS AND RELIEVE THE UNITED STATES OF SOME OF THE WORLD'S STOCK-CARRYING BURDEN. IT WOULD ALSO HELP EXPAND THE BASIC MARKET FOR WHEAT. OTHER COUNTRIES THAT COULD BE CONSIDERED UNDER SUCH A PROGRAM WOULD BE BRAZIL, MEXICO, INDONESIA, INDIA, PERU, EGYPT, YUGOSLAVIA, MOROCCO AND TUNISIA. THIS

PROGRAM COULD BE RESERVED FOR MAJOR BUYERS ONLY IN THE LIGHT OF THE EXTENSIVE NEGOTIATIONS THAT WOULD BE REQUIRED.

4. EXPORT PAYMENT IN KIND (PIK) -- AS A COMPLIMENT TO THE DOMESTIC PIK PROGRAM, AN EXPORT PIK PROGRAM SHOULD BE IMPLEMENTED AND UTILIZED. IN GENERAL TERMS, SUCH A PROGRAM WOULD BE VERY USEFUL AND IT WOULD ALSO OFFER AN ADDITIONAL RESOURCE THAT COULD BE USED AS AN INCENTIVE TO INCREASE STORAGE FACILITIES AND WHEAT STOCKS IN KOREA AND THE PHILIPPINES. IT COULD ALSO OFFER AN OPPORTUNITY TO ENCOURAGE THAILAND TO REDUCE ITS DUTY ON WHEAT IMPORTS. ALONG WITH THE BLENDED CREDIT PROGRAM, THE EXPORT PIK COULD SERVE THE ROLE OF MARKET MAINTENANCE IN COUNTRIES SUCH AS KOREA.

5. BARTERING -- ALTHOUGH A DIFFICULT PROCESS, BARTERING SHOULD NOT BE OVERLOOKED. THE SHORTAGE OF FOREIGN EXCHANGE BEING FACED BY MANY COUNTRIES COULD MAKE BARTERING A WORKABLE OPTION. BARTERING FOR OIL, IN THE CASE OF NIGERIA, INDONESIA, MEXICO AND VENEZUELA, SHOULD BE CONSIDERED AS WELL AS CASES WHERE STRATEGIC MINERALS COULD BE MADE AVAILABLE. BARTERING FOR GOLD WITH THE SOVIET UNION COULD BE EXAMINED.

THE PEOPLES REPUBLIC OF CHINA

IT IS IMPERATIVE THAT ALL SECTORS OF GOVERNMENT PULL TOGETHER TO FIND A SOLUTION TO THE TEXTILE TRADE ISSUE WITH CHINA. WHILE THE ISSUE MAY BE SOMEWHAT SENSITIVE DOMESTICALLY, THERE CAN BE NO JUSTIFICATION FOR JEOPARDIZING OR LOSING A $1.8 BILLION WHEAT MARKET BECAUSE OF A $34 MILLION DIFFERENCE OF OPINION ON TEXTILE IMPORTS. U.S. TRADE REPRESENTATIVES SHOULD CONSIDER THIS TRADE ISSUE OF THE UTMOST IMPORTANCE AND GET IT RESOLVED VERY QUICKLY.

NEW LONG TERM GRAIN AGREEMENT WITH THE USSR

IT IS ESSENTIAL THAT A NEW LONG TERM GRAIN AGREEMENT BE NEGOTIATED WITH THE USSR. THE NEW LTA SHOULD CONTAIN HIGHER MINIMUM AND MAXIMUM PURCHASE LEVELS. PRESIDENT REAGAN'S CURRENT SANCTION POSTPONING GRAIN AGREEMENT TALKS BASED ON SOVIET ACTIONS IN POLAND CLEARLY LIMITS U.S. WHEAT AND OTHER AG EXPORTS AND OPENS "WINDOWS OF OPPORTUNITY" TO OUR COMPETITOR EXPORTING NATIONS.

IT DOES APPEAR THAT OVERWHELMING EVIDENCE EXISTS THAT VERIFIES THE FACT THAT THE U.S. ECONOMY IS THE BIGGEST LOSER FROM U.S. IMPOSED TRADE RESTRICTIONS.

OTHER MINIMUM EXPORT SALES ARRANGEMENTS

U.S. COMPETITORS ARE ON AN UNPRECEDENTED SELLING BLITZ AIMED AT OUTMARKETING THE U.S. CANADA, ARGENTINA, AUSTRALIA AND THE EEC ARE ALL ENGAGING IN TRADING STRATEGIES THAT "LOCK IN" A GIVEN SHARE OF WORLD WHEAT MARKETS.

THE USDA SHOULD BE DIRECTED TO EXPLORE MINIMUM SALES ARRANGEMENTS WITH FOREIGN CUSTOMERS TO COUNTER COMPETITION FROM OTHER EXPORTING NATIONS.

CARGO PREFERENCE

EXISTING CARGO PREFERENCE LAWS REQUIRE THAT AT LEAST HALF THE GROSS TONNAGE OF U.S. GOVERNMENT-GENERATED CARGOES MOVE ON U.S. FLAG VESSESLS, IF THEY ARE AVAILABLE AT FAIR AND REASONABLE RATES.

WHILE U.S. MARITIME INDUSTRY OFFICIALS MAY ARGUE THAT THEY CANNOT COMPETE WITH LOWER-COST OCEAN FREIGHT FROM FOREIGN COMPETITION, IT IS QUITE CLEAR THAT THE HIGHER COST OF U.S. FLAG TRANSPORTATION MAKES U.S. EXPORTS SUCH AS WHEAT LESS PRICE COMPETITIVE IN WORLD MARKETS.

LAST YEAR, USDA ESTIMATED THAT COMPLIANCE WITH CARGO PREFERENCE REQUIREMENTS COST THE COMMODITY CREDIT CORPORATION $363 MILLION OVER THE PREVIOUS FIVE YEARS. OVER 9 MILLION METRIC TONS OF GOODS UNDER TITLE I AND III OF THE FOOD FOR PEACE PROGRAM WERE TRANSPORTED IN U.S. SHIPS FROM FISCAL 1977 THROUGH 1981. THESE SHIPS WERE MORE EXPENSIVE THAN OTHER FLAG SHIPS. FURTHERMORE, THE OLDER AND OUT-OF-DATE U.S. VESSELS WHICH CARRIED THE SHIPMENTS CAUSED COSTLY DELIVERY PROBLEMS.

LAST YEAR, THE GENERAL ACCOUNTING OFFICE (GAO) ESTIMATED THAT FOOD FOR PEACE SHIPMENTS IN 1981 COULD HAVE BEEN CONSOLIDATED IN FOREIGN FLAG VESSELS FOR A SAVINGS OF $15.6 MILLION. THEREFORE, MORE FOOD COULD HAVE BEEN PURCHASED AND SHIPPED TO NEEDY COUNTRIES WITHOUT INCREASING TITLE II COSTS.

IT WOULD SEEM THAT IF THE U.S. MARITIME INDUSTRY MUST BE SUBSIDIZED, THAT A NEW APPROACH SHOULD BE EXPLORED. PERHAPS A SUBSIDY COULD BE DEVELOPED THAT WOULD ENCOURAGE THE MODERNIZATION AND INCREASED EFFICIENCY OF U.S. FLAG VESSELS, MAKING U.S. SHIPPING MORE COMPETITIVE, INSTEAD OF MAKING U.S. AG EXPORTS LESS COMPETITIVE IN WORLD MARKETS. AT ANY RATE A SUBSIDY TO THE MARITIME INDUSTRY SHOULD BE SHOULDERED BY ALL U.S. TAXPAYERS AND NOT THE U.S. FARMER.

FOREIGN POLICY VS TRADE POLICY

THE UNITED STATES SEEMS TO BE ITS OWN WORST ENEMY WHEN IT COMES TO HOLDING ON TO SOME OF OUR LARGEST EXPORT MARKETS. THROUGH THE COMBINED EFFORTS OF GROWER FINANCED GROUPS AND THE FOREIGN AGRICULTURE SERVICE OF USDA, WE HAVE MADE TREMENDOUS STRIDES IN EXPANDING U.S. WHEAT EXPORTS IN THE PAST THIRTY YEARS. U.S. WHEAT GROWERS HAVE RISEN TO THE OCCASION OF EXPANDING PRODUCTION ONLY TO FIND THAT U.S. PRESIDENTS HAVE THE POWER TO NEGATE THE YEARS OF WORK AND INVESTMENT WITH THE STROKE OF A PEN.

EITHER THROUGH THE LACK OF ECONOMIC UNDERSTANDING RELATIVE TO AG EXPORTS AND THE U.S. ECONOMY OR SIMPLY FOR PURPOSES OF FOREIGN POLICY, A NUMBER OF U.S. PRESIDENTS HAVE CHOSEN TO WORK AT CROSS PURPOSES WITH AGRICULTURAL EXPORT TRADE.

THE EVIDENCE IS CLEARLY AGAINST USING AG EXPORTS AS A NEGATIVE FOREIGN POLICY TOOL TO IMPOSE U.S. POLICY AROUND THE WORLD. CLEARLY, RECENT EXAMPLES OF U.S. GOVERNMENT-IMPOSED TRADE RESTRICTIONS SUCH AS EMBARGOES ONLY SERVE TO LOSE BUSINESS AND INCOME FOR THE TOTAL U.S. ECONOMY WHILE CAUSING THE EMBARGOED NATIONS TO SEEK OTHER SUPPLIERS AND IN TURN CAUSE INCREASED FOREIGN COMPETITION FOR THE LONG TERM.

WE RECOMMEND THAT THE U.S. GOVERNMENT DEVELOP A NEW ATTITUDE AND POLICY TOWARD ITS ROLE IN INTERNATIONAL TRADE. BASED ON THE FAILURES OF MIXING FOREIGN POLICY AND AG TRADE POLICY IN THE PAST, THAT PRACTICE SHOULD BE DISCONTINUED PERMANENTLY.

A NEW ATTITUDE AND POLICY SHOULD BE DEVELOPED AND IMPLEMENTED THAT:

1. RECOGNIZES AG EXPORTS AS A POSITIVE FORCE FOR ALL SECTORS OF THE U.S. ECONOMY.
2. AFFIRMS THAT INCREASED AG EXPORTS GENERATE ECONOMIC STRENGTH WHICH TRANSLATES INTO WORLDWIDE RESPECT AND INFLUENCE.
3. FOREIGN POLICY SHOULD BE CONDUCTED SEPARATE FROM THE EXPORTING OF AG COMMODITIES.

SUPPLY MANAGEMENT AND WHEAT PRICE ENHANCEMENT

THE SECRETARY OF AGRICULTURE, THROUGH THE FARM PROGRAM OR OTHER MEANS, SHOULD BE REQUIRED TO MAINTAIN U.S. WHEAT CARRYOVER STOCKS AT NO MORE THAN 600-800 MILLION BUSHELS ANNUALLY. THE SECREATRY SHOULD BE ALLOWED NO DISCRETION IN THIS POLICY BUT ONLY THE DISCRETION IN HOW IT IS ACCOMPLISHED. SUCH A POLICY WOULD STRENGTHEN PRICES AND REVIVE THE ECONOMY WHILE PROTECTING THE DOMESTIC FOOD NEEDS OF THE U.S.

IT HAS BEEN A PLEASURE TO PRESENT OUR VIEWS HERE TODAY. WE HOPE THAT THIS COMMITTEE WILL GIVE POSITIVE CONSIDERATION TO OUR RECOMMENDATIONS.

STATEMENT OF FRANK M. MITCHENER, JR., RETIRING CHAIRMAN OF THE BOARD, NATIONAL COTTON COUNCIL OF AMERICA

Mr. Chairman, I am Frank M. Mitchener, Jr., cotton producer from Sumner, Mississippi and retiring Board chairman of the National Cotton Council, in whose behalf I appear. The Council is the central organization of the cotton industry, representing producers, ginners, warehousemen, seed crushers, merchants, cooperatives and textile manufacturers from the Carolinas to California.

We commend you and your committee, Mr. Chairman, for continuing to look at how the market for agricultural products can be increased. The Council believes that both supply and demand need attention in order to get them back into better balance and improve farm prices and income. The PIK diversion program promises to work on the supply side, and we are delighted to have this opportunity to give you our thoughts on how demand can be improved.

Our industry's leaders have been considering the subject of this hearing since late October. An economic task force composed of Council officers and Board members met on three occasions beginning October 29 to seek ways to alleviate the financial distress of the cotton industry. I served on that task force. One of the first proposals put before our group was use of government-owned (PIK) cotton as incentive for market expansion.

As the task force studied the proposal, it came to two conclusions. The first, which was based on Council policy of almost two decades and which was reaffirmed last week at our annual meeting, was most emphatic: Any market incentive used must be made available equally to domestic and foreign customers. Experience of the late 1950's and early sixties, when cotton exports were subsidized, taught us that we couldn't tolerate a situation where we sold to one group of customers at a lower price than to another group. Our domestic customers were put at a serious competitive disadvantage, and textile imports began to flood back into this country and take markets away from them. So we moved back to a one-price system in 1964, have maintained it ever since, and must continue to maintain it.

The second conclusion was that PIK cotton should not replace current crop cotton in the market. It should move into the market only when its use results in market expansion. The theory was good. But the more we looked at the practical problems involved with determining whether a sale with use of PIK does indeed result in additional market, the less certain we became that such a program could be administered equitably and still have the desired result.

The only solution seemed to be that PIK should be used to open up new markets. Likely prospects are poorer countries with limited foreign exchange capabilities such as those on the USDA eligibility list for P.L. 480. These countries buy almost no cotton from us, and many do not have the mills in which to process it. Most would require financial assistance such as P.L 480 or other export credit to buy from us.

Therefore, the logical way to service these markets and still meet our criterion for fairness to the U.S. textile industry is the so-called "value-added" export concept used in the recent deal with Egypt for U.S. wheat flour. As you may know, our government through USDA arranged the financing and the terms of the sale, and U.S. millers then bid on how many bushels of PIK wheat per ton of flour they would require to make the sale on those terms. The lowest bid, of course, got the business.

This sort of arrangement has the advantage not only of opening up new markets, but also of putting additional people to work in this country processing the products we sell in those markets.

Mr. Chairman, we believe that the approach we have just described for wheat and flour would work as well for cotton and 100% cotton textiles, and we commend it to you for legislative implementation if necessary.

STATEMENT OF VAREL BAILEY, VICE PRESIDENT, LEGISLATIVE AFFAIRS NATIONAL CORN GROWERS ASSOCIATION

Mr. Chairman and Subcommittee Members: I am Varel Bailey, a corn and hog farmer from Anita, Iowa. I am appearing before you today in my capacity as Vice President of the National Corn Growers Association, responsible for legislative affairs of our organization. Accompanying me today at these hearings is Michael Hall, the Washington Representative for the National Corn Growers Association.

The National Corn Growers Association (NCGA) is made up of corn producers from 17 states, with the purpose of promoting the general welfare of U.S. corn farmers by maintaining and developing domestic corn production and price and income support programs consistent with a market-oriented grain economy. With members in 48 states, the National Corn Growers Association includes state affiliated organizations in Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, Nebraska, New York, North Carolina, Ohio, Pennsylvania, Virginia and Wisconsin. These states account for over 90 percent of total U.S. corn production.

We appreciate having the opportunity of testifying before this Committee today, and to express our support for the proposed measures and initiatives. This package of measures and initiatives are commonly called "Export 'PIK' Provisions" -- all of which are designed to enhance U.S. grain and agricultural exports. In this regard, we have attached an appendix "A" to our statement -- the resolutions of the 1982 Annual Convention of the National Corn Growers Association, which urge a consistent, vigorous and competitive U.S. agricultural export policy and foreign market expansion program.

Many of the provisions of the proposed Export "PIK" Program are genuine measures designed to counteract and equalize the long-standing export practices of the European Economic Community. Moreover, concrete action by the United States vis-a-vis the European Economic Community is long overdue. Consequently, our organization urges you and your Committee to move expeditiously in considering these measures, and for swift passage of them on the full floor of the United States Senate.

Many of the problems facing U.S. grain farmers in particular, and agriculture in general, have been the result of attempting to seek relief and corrective resolution in the general agreement on tariffs and trade (GATT) to the unfair and heavily subsidized practices of the European Economic Community (EEC).

U.S. corn farmers have long heard that many of the international trade problems affecting the volume of U.S. corn exports would be considered and resolved under the auspices of the General Agreement of Tariffs and Trade. As you know, the General Agreement on Tariffs and Trade is a series of agreements between most countries in the world. It provides for a set of rules and guidelines to govern the conduct of international trading partners, and provides for the process under which countries can engage in "dispute settlements" arising from unfair trading practices. In addition, the General Agreement on Tariffs and Trade is the forum in which the long series of multilateral trade negotiations have taken place, the most recent of which was the so-called "Tokyo Round" of trade negotiations to reduce and/or eliminate both tariff and non-tariff barriers to trade.

The concept and purpose of the General Agreement on Tariffs and Trade are excellent in theory; nevertheless, U.S. corn farmers have serious questions and reservations about the actual practice of and results achieved under the General Agreement on Tariffs and Trade. Without attempting to cite any number of these questions and reservations, two examples will serve well to underscore the dissatisfaction of U.S. corn farmers with practices of two of the major partners of the United States in the General Agreement on Tariffs and Trade. That is to say, these two examples demonstrate that the General Agreement on Tariffs and Trade is not at fault. It is the continued violation of and disrespect for the General Agreement of Tariffs and Trade by the Government of Japan and the European Economic Community that disturbs U.S. corn farmers.

Japan maintains a long list of non-tariff barriers to U.S. exports, industrial as well as agricultural. They range from mixing requirements of Japanese commodities with import commodities to state importing agencies that deny fair and equitable access to the Japanese market. On the other hand, U.S. corn farmers understand and appreciate that Japan is one of the major importers of U.S. agricultural products, particularly corn. Nevertheless, a Japanese state trading organization purchases all imported corn and grain at world market price levels and then resells the grain to the domestic Japanese industries at a substantially higher price level -- a system called the Japanese resell system. The Japanese state trading organization, as a matter of practice, will only purchase grains for import from recognized Japanese trading companies, further reducing the prospects for increased U.S. corn and grain exports by discouraging price competition. While various Japanese trading companies and industries have financial holding and ownership of physical facilities in the overall U.S. grain complex in various states in the United States, U.S. and other foreign grain trading companies are not allowed a similar reciprocity of ownership and financial control in the Japanese grain and grain feeding complexes.

The failure of the United States and other trading countries to negotiate greater access to the Japanese market must be recognized, either bilaterally or multilaterally. Japan has long enjoyed unilateral benefits accruing from its membership in the General Agreement on Tariffs and Trade, but simultaneously has delayed and side-stepped a reciprocal GATT obligation to extend equal benefits to U.S. grain and agricultural exports.

The most glaring example of ignoring and violating the rules and guidelines of the General Agreement on Tariffs and Trade is the European Economic Community (EEC). With the original EEC effort to harmonize grain prices in the original six-member countries in 1966, the mounting difficulties and problems of access to the EEC and unfair competition from the EEC European countries are simply enormous. And it must be pointed out that the original six-member countries of the European Economic Community have now grown to a European Economic Community of ten European countries. Current EEC membership is as follows: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands and The United Kingdom. In addition, both Portugal and Spain have active applications for EEC membership that would increase the European Economic Community to twelve European member countries.

Because of the consistent and substantial annual increase in domestic support prices to EEC agricultural farmers that began in earnest in 1966, the export-import trade patterns of the European Economic Community have been greatly altered:

- EEC wheat exports have increased nearly five fold in the 1970's
- The EEC has swung from a net importer of sugar in 1978 to the world's largest sugar exporter, now at about five million metric tons
- The EEC is now the largest exporter of poultry with 35% of the world broiler market, while in the middle 1970's, it was the largest importer of poultry
- EEC dairy exports account for about 60 percent of world trade, requiring export subsidies in the neighborhood of $2.0 billion annually
- Total EEC export subsidies may reach as high as $8.0 billion in 1982

The continuing surplus production of these and grain products are encouraged by high EEC support prices, and protected from price disciplines by the variable import levies. In order to escape the responsibility for storage and maintain excessive grain and agricultural production, the European Economic Community continues to disrupt world trade and non-traditional third-country markets with excessive grain and agricultural export subsidies.

With the ultimate EEC membership of both Portugal and Spain, the grain and agricultural production in the enlarged European Economic Community will accelerate at an unacceptable rate. This increased production will only be moved into third-country markets around the world, further eroding the percentage market share of the United States in these third-country markets.

At the current date, the EEC variable import levies on corn and grain are just about equal to the fob (free-on-board) price of the commodity at the Gulf of Mexico. During middle December 1982, the European Economic Community imposed variable import levies in the following amounts for various grain imports:

Commodity	Variable Import Levies $ per bushel	Variable Import Levies $ per ton
Corn	2.59	101.90
Wheat	2.88	105.88
Barley	2.15	98.83
Sorghum	2.32	91.39

At the same period in December 1982, the European Economic Community provided the following level of export subsidies for selected grain exports:

Commodity	Export Subsidies $ per bushel	Export Subsidies $ per ton
Wheat	1.98	72.74
Barley	1.58	72.50
Sugar (refined)		319.00

During any number of past bilateral and multilateral settings and negotiations in the 1960's, the 1970's and now the 1980's, U.S. corn farmers have not been shown that these and other countries are prepared to accept equal and equitable obligations under the rules and guidelines of the General Agreement on Tariffs and Trade. The question now is whether the General Agreement on Tariffs and Trade should continue to be the accord and forum for the United States to attempt to correct international trade abuses. Expressed another way: should various rules and guidelines of the General Agreement on Tariffs and Trade be modified to provide clearer and more efficacious performance in international trade practices?

In any event, U.S. corn farmers hold little hope that meaningful and realistic solutions will be worked out with the European Economic Community, Japan and other countries as the General Agreement on Tariffs and Trade has operated and functioned for the past three decades.

The United States must now begin to undertake initiatives that are designed to meet these unfair international trading practices. The U.S. Department of Agriculture has recently announced several programs to enhance the competitiveness of U.S. agricultural products in world trade. Additional initiatives and programs are now required to be put into place in order for U.S. farmers to regain lost export markets and to restore the eroded shares of current markets.

Mr. Chairman, the National Corn Growers Association genuinely appreciates the leadership role you and Senator Dole have played in focusing in on the discrepancies in international agricultural trade and the inability of the General Agreement on Tariffs and Trade to work as it was originally intended. We were pleased that Jack Parsons, President of the National

Corn Growers Association, could be a part of the delegation that you led to the recent GATT Ministerial Meeting in Geneva, Switzerland, in November of 1982. That meeting was clear enough to the government, congressional and industry members of your delegation that there are intractable problems facing the General Agreement on Tariffs and Trade as an institution, with the concomitant creditibility of the GATT rules and guidelines being seriously questioned by U.S. corn farmers. If the rules of the GATT game are not adhered to by the major member countries, then the U.S. Government should undertake a major examination of the value and worth of the General Agreement on Tariffs and Trade as the corrective instrument for numerous complaints and problems being raised by U.S. corn farmers and the entire U.S. agricultural community.

Mr. Parsons had the additional privilege of traveling with Senator Dole and his delegation to the US-USSR Trade and Economic Council meetings held in Moscow, the Soviet Union, in November of 1982. Before concluding our statement today, Mr. Chairman, we would like to emphasize several provisions of S.18, "The Agricultural Export Expansion Act of 1983," recently introduced by Senator Dole. We believe that the Senator from Kansas has recognized some serious problems in the U.S. agricultural export policy, and has proposed some very interesting -- and probably controversial -- solutions to them. The following proposals by Senator Dole, which our organization will be examining in one week at the Spring 1983 meeting of the NCGA Board of Directors in Washington, D.C., deserve serious consideration by this Committee.

- Substantial appropriations for a new revolving fund to make direct short and intermediate-term loans for purchases of U.S. farm products
- Increased funding for the foreign market development cooperator program by 10 percent in fiscal years 1985 and 1986
- Designate at least $640 million of the $3.2 billion State Department's Economic Support Fund for purchases of U.S. agricultural commodities
- Require the President to report by March 31, 1983, on the status of negotiations on a new long-term agreement on agricultural trade with the Soviet Union, and urge the initiation of such discussions with a view toward expanding the terms of the existing US-USSR Grain Agreement

We also encourage you and your colleagues to incorporate the proposals of Senator Rudy Boschwitz in terms of the bill that he introduced, namely S.100, called "The Agricultural Free and Fair Trade Act of 1983." The Senator from Minnesota has identified several mechanisms in the "demand maintenance" section of his bill that would well serve U.S. grain and agricultural exports vis-a-vis the export practices of other major agricultural producing countries. The combination of the bill introduced by you, Senator Dole, and Senator Boschwitz will surely provide for a more aggressive and competitive U.S. foreign export expansion program.

Our organization believes that the domestic aspect of increased consumption of U.S. agricultural production should not be overlooked in this debate about maintaining and expanding U.S. grain and agricultural exports. In this regard, Senator Dole has introduced a bill numbered S. 17, called "The Domestic Commodity Distribution and Food Assistance Act." His Agricultural Subcommittee on Nutrition held hearings on this bill on Tuesday, February 15, 1983. Although our organization was unable to appear at that hearing (because of the weather conditions in Washington), we strongly support the efforts to increase our commitment to raise the nutrition level of the unfortunate and elderly at home -- as well as abroad.

Another proposal that the National Corn Growers Association would suggest for your consideration is the development of a government "export Finance and Insurance Corporation." The use of such quasi-government entities in various foreign countries has been very effective in providing additional assurances against all forms of risk in the international marketplace. Such facilities in foreign countries have been used extensively by private and cooperative exporters to move agricultural commodities from those countries into international trade.

The primary function of export insurance is to encourage and expand trade in foreign markets by protecting exporters against losses arising from a range of risks. Export insurance, as such, in countries having such an entity, is a self-sustaining business, paying its own way, and is operated as a service to substantially.eliminate risk in international trade and to protect profits.

Policies are written with exporters doing international business in goods produced in the insuring country and protect against a wide range of risks including commercial, political and market. Policies do not cover 100% of the risk, but usually cover 85-95% of gross value of the trade. Premiums do vary as to type of business, buying country, time of sale, quantity, and payment terms, and are tailored to each sale if circumstances warrant. Premiums for cash sales are less than credit sales and rates to politically stable and economically sound countries are lower than to more risky destinations. Rates are quoted to each exporter based on the exporter's experience, capability and product being sold. Proposals for sale embodying the above are analyzed by the insurance corporation and firm rates are given that may vary significantly based on the factors mentioned above. Rates to the same country of destination might vary from day to day or sale to sale depending on conditions in the U.S. or the buying country and the terms of the proposed sale. For your information and examination, we have copies of several "Export Finance and Insurance Corporation" policies from Australia, France, Germany and Great Britain, and would like to submit them as Appendix "B" for the record. Moreover, our organization urges that you and your committee members consider the development of a comparable program for U.S. agricultural exports.

We appreciate having the opportunity of appearing before you today, and will attempt to respond to any questions that you may have.

APPENDIX "A"

1982 GENERAL RESOLUTIONS
OF THE
NATIONAL CORN GROWERS ASSOCIATION
AT THE
24th ANNUAL CONVENTION

* * * * * * * * * EXTRACT * * * * * * * * *

III. International Trade and Export Expansion

A. Recommends that all nations be treated equally in international trade practices in order to expand foreign markets for U.S. corn, and cautions that bilateral state-to-state trade agreements could violate the concept of Most Favored Nation (MFN) provisions of the General Agreement on Tariffs and Trade (GATT).

B. In the event that U.S. export trade is curtailed or restricted to any foreign country, urges that all such future trade embargoes be comprehensive and inclusive of all U.S. exports of goods, services, materials and commodities; and they should not single out U.S. corn, grain or agricultrural exports because of the past failures of partial or selective U.S. trade embargoes on grains.

C. In the event the European Economic Community (EEC) unilaterally implements any additional restrictions on the imports of U.S. corn and corn by-products, recommends strongly that the U.S. Government move immediately to retaliate against appropriate and significant EEC farm and industrial exports to the United States. In this context, the U.S. Government move immediately to retaliate against appropriate and significant EEC farm and industrial exports to the United States. In this context, the U.S. Government should exercise all GATT and international trade rights to prevent any further loss of U.S. corn exports to the EEC countries, and also to the two applicant countries of Portugal and Spain in the enlargement of the European Economic Community. Any EEC modification of current EEC import tariff binds under the GATT (as well as current Portugese and Spanish import tariff binds on corn) should not result in any impairment of U.S. corn exports to these countries.

D. Urges that a general export policy be established for U.S. corn exports to all nations based on the Most Favored Nation (MFN) status. While recognizing the unique circumstances and factors that required the initiation and possible extension of the US-USSR grain agreement, U.S. corn farmers recognize little justification for such restrictions on trade, particularly since such agreements allow for increased U.S. Government involvement in corn and grain trade with other countries.

E. The National Corn Growers Association maintains its opposition to efforts to establish a national grain board or any government program that would interfere with the free marketing system for corn and grain.

F. Recommends that the United States adopt a uniform policy about participation in international commodity agreements because past, and apparently current, practices of the United States have been to consider such international commodity agreements on the basis of whether the United States is either a net exporter or a net importer of the commodity under consideration for inclusion in an international commodity agreement:

1. Strongly opposes an International Grains Agreement containing any form of economic provisions to govern or to regulate exports.

2. Expresses some reservations about United States participation in the International Sugar Agreement inasmuch as import quotas or export quotas can become obligatory on the basis of minimum and maximum trigger price levels based on a running daily average of spot New York sugar prices.

3. Opposes international ocean shipping agreements that restrict the export sale of U.S. corn and grains.

G. Urges the U.S. Government to use all existing international agreements under the GATT and the U.S. countervailing duty laws to gain relief from and prevent the dumping of subsidized alcohol exports from foreign countries to the United States.

H. Deplores foreign government subsidies of sugar production and exports as artificially stimulating inefficient sugar production, depressing world sugar prices, and thus restricting the market for U.S. corn sweeteners. Urges the U.S. Government to use all existing international agreements to bring about a reduction and/or elimination of these subsidies.

I. Expresses opposition to the national policies of foreign countries that force U.S. corn farmers to compete with their Treasuries for our share of the foreign export market.

J. The National Corn Growers Association opposes maritime agreements that restrict our markets by increasing transportation costs above market levels through the imposition of cargo preference provisions.

K. We believe that all grain contracts that are made with foreign purchasing agencies should be honored. Therefore, we urge that federal authorities honor the validity of all export contracts entered into, and further recommend the amendment of the Export Administration Act that would require the minimum approval of one body of Congress to sustain the imposition of embargoes, or restrictions on grain exports, resulting from such Presidential directives. This decision from the legislative branch of government to uphold, or overturn, such Presidential directives should be determined not more than 30 days after the announced trade sanctions.

L. Continues to support the aggressive market development programs conducted by the U.S. Feed Grains Council, and further commends the Foreign Agricultural Service of the U.S. Department of Agriculture for invaluable assistance in the foreign market development effort through the U.S. Feed Grains Council; in addition, recommends to the U.S. Feed Grains Council that it broaden its foreign efforts to expand the industrial uses of corn and corn products.

STATEMENT OF E. MORGAN WILLIAMS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, COOPERATIVE LEAGUE OF THE USA

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO SPEAK ON BEHALF OF THE MEMBERS OF THE COOPERATIVE LEAGUE IN SUPPORT OF THE VARIOUS AGRICULTURAL EXPORT ACTS THAT HAVE BEEN INTRODUCED THIS SESSION OF CONGRESS.

IN ITS INTERNATIONAL AND DOMESTIC COOPERATIVE DEVELOPMENT PROGRAMS, THE COOPERATIVE LEAGUE IS COMMITTED TO ENABLING PEOPLE TO TAKE CONTROL OF THEIR LIVES THROUGH THE BUILDING OF COOPERATIVES.

THE COOPERATIVE LEAGUE SEEKS TO CONTRIBUTE TO ACHIEVEMENT OF PROSPERITY, ECONOMIC AND POLITICAL STABILITY, SELF-DETERMINATION, AND PARTICIPATION IN THE ECONOMIC SYSTEMS THAT AFFECT ALL OUR LIVES. FOR ALMOST THREE DECADES, THE COOPERATIVE LEAGUE HAS ASSISTED IN COOPERATIVE DEVELOPMENT IN OVER 40 COUNTRIES OVERSEAS.

THE COOPERATIVE LEAGUE OF THE USA IS THE ONLY U.S. COOPERATIVE ORGANIZATION DRAWING ITS MEMBERSHIP FROM ALL TYPES OF COOPERATIVES. IN THE AREAS OF FOOD, HOUSING OR HEALTH CARE, THE LEAGUE'S APPROACH TO COOPERATIVE DEVELOPMENT STRESSES THE NECESSITY TO DEVELOP INTEGRATED SYSTEMS OF COOPERATIVES SO THAT MEMBERS CAN DERIVE MAXIMUM BENEFIT FROM THEIR COOPERATIVE AFFILIATIONS.

SIMILAR TO THE LEAGUE'S COLLEAGUE ORGANIZATIONS WHO ARE TESTIFYING TODAY, THE FATE OF THE AMERICAN FARMER IS VERY MUCH A VITAL PART OF OUR CONCERNS AND ACTIVITIES EACH DAY. MARKET ENHANCEMENT, LONG-TERM AGREEMENTS AND ADEQUATE FINANCING PROVISIONS CONTAINED IN THE SEVERAL AGRICULTURAL ACTS INTRODUCED THIS SESSION WOULD CERTAINLY HELP BRING THE U.S. FARMER OUT OF THE CURRENT CRISIS. BUT IN ADDITION, THE ENACTMENT OF PROPOSED LEGISLATION BEFORE THE CONGRESS WOULD BE CARRIED OVERSEAS IN THE UTILIZATION OF AMERICA'S CROPS IN DEVELOPING COUNTRIES AND IN EXPANDING MARKETS FOR AMERICA'S AGRICULTURAL INDUSTRY.

THE AMERICAN FARMER HAS THE CAPACITY TO NOT ONLY FEED THE PEOPLE OF THIS NATION, BUT OF MANY OTHER NATIONS AS WELL. IT IS CLEAR THAT MARKETS FOR THIS RESOURCE MUST BE IMPROVED AND IT IS ALSO CLEAR TO THE MEMBERS OF THE COOPERATIVE LEAGUE THAT THE BEST WAY TO ASSIST IN THE CREATION OF THESE MARKETS IS THROUGH THE BUILDING OF COOPERATIVES IN DEVELOPING COUNTRIES ABROAD.

MR. CHAIRMAN, IN 1945 THE COOPERATIVE LEAGUE AND OTHER CONCERNED ORGANIZATIONS JOINED TOGETHER FOLLOWING WORLD WAR II TO PUT TOGETHER A RELIEF COOPERATIVE IN ORDER TO ASSIST THE WAR-TORN COMMUNITIES

IN EUROPE. WHAT GREW OUT OF THAT EFFORT IN 1945 WAS THE ORGANIZATION OF THE COOPERATIVE FOR AMERICAN RELIEF EVERYWHERE -- BETTER KNOW TODAY AS CARE. YOU HAVE HEARD FROM WALLY CAMPBELL, PRESIDENT OF CARE, ON THE ACTIVITIES OF THAT ORGANIZATION AND HOW EXPANSION OF CERTAIN PROVISIONS IN THE AGRICULTURAL PROPOSALS COULD FURTHER ASSIST IN "HELPING PEOPLE TO HELP THEMSELVES". TODAY THE COOPERATIVE LEAGUE REMAINS ON THE BOARD OF CARE AND CARRIES OUT COLLABORATIVE EFFORTS IN THE FIELD WITH CARE PERSONNEL AND DEVELOPMENT ACTIVITIES.

THE COOPERATIVE LEAGUE HOWEVER IS UNLIKE CARE IN THAT OUR MEMBERSHIP COVERS A WIDE SPECTRUM OF COOPERATIVES, SUCH AS FARMLAND INDUSTRIES, INC., LAND O'LAKES, OHIO FARM BUREAU FEDERATION, THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCAITION AND THE CREDIT UNION NATIONAL ASSOCIATION. ALL OF THE COOPERATIVES ARE DEDICATED TO THE BUILDING OF STABLE, ECONOMIC INSTITUTIONS -- OF COOPERATIVES -- IN COUNTRIES ABROAD SO THAT NOT ONLY DO WE STRIVE TO ADDRESS THE PROBLEMS OF WORLD HUNGER AND MALNUTRITION, BUT ALSO THE PROBLEMS OF ECONOMIC INSTABILITY AND OF BASIC HUMAN NEEDS SUCH AS HOUSING AND HEALTH CARE THROUGH THE BUILDING OF COOPERATIVES IN THOSE SECTORS.

DEVELOPING COOPERATIVES IN THE THIRD WORLD MR. CHAIRMAN, WILL HELP TO STRENGTHEN ECONOMIES SO THAT MARKETS FOR AMERICAN AGRICULTURAL PRODUCTS WILL BE EITHER IMPROVED OR IN SOME CASES CREATED. THE COOPERATIVES BUILT IN THE VILLAGES AND COMMUNITIES, WILL IMPROVE NOT ONLY THE INCOME OF THE CO-OP MEMBER, BUT ADD TO THE PROSPERITY OF THE COMMUNITY OR VILLAGE.

TO GIVE YOU AN EXAMPLE OF HOW COOPERATIVE DEVELOPMENT IS WORKING ABROAD WITH THE UTILIZATION OF AMERICAN AGRICULTURAL PRODUCTS, I WOULD LIKE TO NOTE THE COOPERATIVE LEAGUE VEGOIL PROJECT LOCATED IN INDIA. IN 1979, THE COOPERATIVE LEAGUE WAS GRANTED THE LARGEST PL 480 DONATION IN THE HISTORY OF THE PROGRAM THROUGH THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT AND THE U.S. DEPARTMENT OF AGRICULTURE. TODAY THE COOPERATIVE LEAGUE CONTINUES TO ASSIST COOPERATIVE LEADERS IN INDIA IN ESTABLISHING A NETWORK OF 8,000 COOPERATIVES. THESE COOPERATIVES WILL PROCESS PEANUTS AND OTHER OILSEED CROPS FOR VEGETABLE OIL, WHICH NEXT TO FOOD GRAINS IS THE MOST IMPORTANT COMPONENT OF THE INDIAN DIET.

A SUBSTANTIAL PORTION OF CAPITAL FOR THE PROJECT CAME FROM SHIPPING THE $130 MILLION WORTH OF U.S. SOYBEAN OIL UNDER PL 480 TO INDIA FOR RESALE TO CONSUMERS ON THE OPEN MARKET. THE RUPEES GENERATED THROUGH THESE SALES ARE NOW DEVELOPING THESE 8,000 COOPERATIVES TO BE OWNED BY INDIAN FARMERS, WHO GROW, PROCESS AND MARKET THEIR OWN OILSEED CROPS. BEGINNING IN 1981, THE PROJECT WAS ENLARGED BY CANADIAN DONATIONS OF RAPESEED OIL THROUGH THE COOPERATIVE UNION OF CANADA. THE CANADIANS HAVE ALREADY MADE CONTRIBUTIONS OF $4 MILLION OF OIL TO THE PROJECT

AND PLAN FOR FURTHER CONTRIBUTIONS. AS A RESULT OF THE COOPERATIVE LEAGUE PROJECT, A NEW MARKET FOR U.S. EXPORTS OF SOYBEAN OIL FOR DIRECT CONSUMPTION HAS BEEN CREATED IN INDIA. IN ADDITION, INDIAN COOPERATIVES ARE NOW IN THE PROCESS OF NEGOTIATING THE PURCHASE OF APPROXIMATELY $30 MILLION WORTH OF U.S. SOYBEAN OIL AT COMMERCIAL MARKET RATES TO SATISFY DEMAND FOR THE PRODUCT.

IN REVIEWING THE LEGISLATION NOW BEFORE THIS COMMITTEE, THE LEAGUE WOULD LIKE TO SPECIFICALLY ADDRESS SECTION 416 DAIRY DONATION PROGRAM. AS PROVIDED IN THE LEGISLATION BY MR. HELMS, MR. DOLE, MR. COCHRAN AND MR. ROBERTS OF KANSAS IN THE HOUSE IN H.R. 1407, SECTION 416 HAS BEEN EXPANDED TO INCLUDE NON-DAIRY DONATIONS, WITH DONATIONS TO PUBLIC AND NONPROFIT PRIVATE HUMANITARIAN ORGANIZATIONS. THE COOPERATIVE LEAGUE STRONGLY SUPPORTS THE PROVISIONS MADE BY THE MEMBERS OF THE COMMITTEE IN PERMITTING THE BARTER, SALE AND DIRECT DISTRIBUTION OF COMMODITIES.

AS NOTED IN THE EXAMPLE OF THE LEAGUE'S INDIA VEGOIL PROGRAM, SALE OR "MONETIZATION" OF THE DONATED COMMODITY IS A VITAL ELEMENT IN THE CREATION OF THE COOPERATIVE IN THE DEVELOPING COUNTRY AND THE FOUNDING OF A MARKET AND DISTRIBUTION SYSTEM FOR A PRODUCT. THE LEAGUE URGES THE SENATE AGRICULTURE COMMITTEE TO ENSURE THAT PROVISION IS MADE UNDER SECTION 416 SO TO PERMIT THE BARTER, SALE AND DIRECT DISTRIBUTION.

THE COOPERATIVE LEAGUE COULD UTILIZE EXPANDED 416 AUTHORITY AND THE COMMODITIES THEREOF, FOR EXAMPLE, IN CARRYING OUT THE "OPERATION FLOOD 2" PROGRAM ALSO LOCATED IN INDIA. UNDER THIS PROGRAM, THE INDIAN DAIRY CORPORATION WOULD EXPAND ITS DEVELOPMENT OF URBAN DAIRIES BEYOND THE CITIES OF BOMBAY, CALCUTTA, MADRAS AND DELHI TO INCLUDE OTHER LARGE METROPOLITAN AREAS. DAIRY PRODUCTS PROVIDED UNDER THIS EXPANDED 416 AUTHORITY WOULD BE SOLD BY THE INDIAN DAIRY CORPORATION TO ESTABLISH A REVOLVING FUND WHICH WOULD BE USED FOR ESTABLISHING BOTH THE URBAN DAIRY FACILITIES AND COOPERATIVE STRUCTURES TO INVOLVE LOCAL DAIRY PRODUCERS.

IN ADDITION TO THE EXPANDED DAIRY MONETIZATION PROGRAM, THE LEAGUE HAS ALREADY BEEN CONTACTED BY SEVERAL COUNTRIES WITH PROJECT POSSIBILITIES IN THE BUILDING OF COOPERATIVES THROUGH BARTER OR SALE OF COMMODITIES; A FEW OF THOSE INCLUDE WHEAT DONATION FOR DEVELOPMENT OF A COFFEE COOPERATIVE, WHEAT AND RICE SALES THROUGH A COOPERATIVE SYSTEM IN SOUTH AMERICA TO HELP PAY FOR TECHNICAL ASSISTANCE TO THE COOPERATIVES IN THE AREA AND SORGHUM, CORN OR SOYBEAN DONATIONS SO TO DEVELOP POULTRY COOPERATIVES IN SOUTH AMERICA.

MR. CHAIRMAN, THE COOPERATIVE LEAGUE, AS WELL AS OTHER PRIVATE ORGANIZATIONS INVOLVED IN DEVELOPMENT ACTIVITIES OVERSEAS, ARE WELL EQUIPPED WITH PERSONNEL AND EXPERTISE TO UTILIZE COMMODITIES UNDER EXPANDED 416 AUTHORITY.

AS THE LEAGUE AND OTHERS HAVE NOTED IN TESTIMONY BEFORE NOT ONLY THIS COMMITTEE, BUT ALSO OF THE COMMITTEE ON FOREIGN AFFAIRS AND THEIR LIKE COMMITTEES IN THE HOUSE, THE COOPERATIVE LEAGUE URGES THAT FLEXIBILITY IS AWARDED TO US IN THE CARRYING OUT OF OUR PROGRAMS UNDER THIS EXPANDED AUTHORITY. ANY NEW BUREAUCRATIC DEMANDS UPON THE PRIVATE ORGANIZATIONS AND COOPERATIVES, NOT TO MENTION DUPLICATION IS NOT WE BELIEVE IN THE BEST INTEREST OF THE FUTHERANCE OF DEVELOPMENT PROGRAMS, NOR FOR THE DEPARTMENT OF AGRICULTURE OR THE AGENCY FOR INTERNATIONAL DEVELOPMENT WHO ADMINISTERS THE PRESENT PL 480 PROGRAMS. THEREFORE, IT IS THE RECOMMENDATION OF THE COOPERATIVE LEAGUE THAT LANGUAGE OF SECTION 416 SHOULD PROVIDE ACCOMODATION SO TO AVOID ANY DUPLICATION OF ADMINISTRATION ON THE PART OF USDA OR AID.

THE LEAGUE WOULD RECOMMEND TO THE SENATE COMMITTEE THAT THE PROGRAMS CARRIED OUT UNDER EXPANDED 416 AUTHORITY BE CARRIED OUT WITHIN THE STRUCTURES AND PERSONNEL ALREADY IN PLACE AT THE AGENCY FOR INTERNATIONAL DEVELOPMENT FOOD FOR PEACE BUREAU AND WE SEE THAT SUCH ADMINISTRATION WOULD NOT DISRUPT ACTIVITIES ALREADY IN PLACE THROUGH THE INTERAGENCY TASK FORCE.

IN ADDITION TO THE ADMINISTRATION OF EXPANDED 416 AUTHORITY TO BE CARRIED OUT UNDER THE PL 480 GUIDELINES AND SAFEGUARDS, THE LEAGUE WOULD ALSO RECOMMEND TO THE COMMITTEE THAT BUDGET IMPLICATIONS OF THE NEW EXPANDED COMMODITY UTILIZATION NOT BE COUNTED TOWARD THE PL 480 ACCOUNT BUT THOSE COSTS ACCOUNTED TO THE AGRICULTURE ACCOUNT. IF THE COSTS OF THE 416 EXPANSION WERE CHARGED TO THE PL 480 ACCOUNT, PRESENT ON-GOING PROGRAMS BY NUMEROUS ORGANIZATIONS OVERSEAS COULD BE SERIOUSLY HINDERED OR CUT-OFF DUE TO INADEQUATE FUNDS.

MR. CHAIRMAN, THE COOPERATIVE LEAGUE JOINS WITH OTHERS HERE TODAY IN SUPPORT OF EXPANDED 416 AUTHORITY AND THE MANY AGRICULTURAL ENCHANCEMENT PROVISIONS OF THE AGRICULTURAL EXPORT ACTS PRESENTLY UNDER CONSIDERATION. ONLY THROUGH THE BUILDING OF COOPERATIVES AND OTHER ECONOMICALLY STABLE INSTITUTIONS IN THE DEVELOPING WORLD, CAN THE FULL POTENTIAL OF THE U.S. AGRICULTURE INDUSTRY BE REALIZED

IN THE END NOT ONLY WILL THE FARMERS IN INDONESIA AND INDIA BENEFIT THROUGH OWNERSHIP OF THE CO-OP AND BUYING OF OTHER FOODSTUFFS, BUT THE AMERICAN FARMER WILL HAVE ALSO A BETTER INCOME FOR HIS U.S. PRODUCT AND KNOW THAT HE IS ALSO HELPING TO FIGHT POVERTY AND HUNGER WORLDWIDE FOR MANY YEARS TO COME.

THANK YOU.

A PLAN TO DISTRIBUTE AMERICA'S SURPLUS GRAIN by Larry Jones

The United States Government has over 1 billion bushels of surplus wheat. This does not include the surplus of corn, milo, soy beans and other grains.

The effectiveness of the American Farmer has caused the government some unforeseen problems. The American Taxpayer spends millions of dollars each year just to store the surplus grains.

I was personally unaware of America's tremendous surplus until a few years ago. When I returned from a trip to Haiti, which is the poorest nation in the western hemisphere, President Carter had embargoed wheat against the Russians because of their invasion of Afghanistan. Someone mentioned that we had a million plus bushels of surplus wheat.

Since I had just returned from a nation that is plagued by poverty, sickness and starvation, I was overwhelmed by the amount of grain that was sitting in our elevators. I immediately began, through the means of our television program, to ask farmers for wheat to feed the hungry and the starving. Since that time they have donated over 5 million pounds of wheat for this program.

At the present we are feeding over 2,000 children a day and we are also distributing wheat through 34 different churches to the hungry and the starving in Haiti.

Our program also includes rice, beans, corn and other surplus's. We have been commended by the officials of the Haitian government for the food program which continues to grow as we add new schools and churches. We have also sent America's wheat to Poland, Kenya, Jamaica, Honduras, and Sri Lanka. We are making plans to begin our program in El Salvador, Guatemala and Costa Rica during the next month.

We have discovered that many of the myths that we had previously heard simply are not true. We were told that it would be impossible to get the wheat into the hands of the hungry and starving without the government or the military taking their cut of our surplus food. This has simply not been the case. Foreign governments have been more than willing for us to come and feed their hungry.

Also we have not hurt the economy of any countries where we have distributed our surplus food. The people we feed would die unless we feed them. Consequently we have been welcomed by those in power.

We believe that some of the problems that America could be solved by the giving of our surplus grain to the poor and starving in other countries.

First, the Government's problem of paying millions of dollars for storage would be immediately solved as our surplus grain would be going overseas.

Secondly, by sending America's surplus grain overseas the American Farmer would be helped as the price of grain would increase on the market.

Thirdly, by giving surplus grain to humanitarian and missionary orgainzations their effectiveness would be increased in Third World Countries. When the hungry are fed they are much more interested in knowing about the American way of life.

Fourthly, the best weapon America has is not her arsenal of missiles, planes and tanks. America's best weapon has basically been overlooked and that being her surplus food.

A fighter plane says little to a man who's children are starving to death. If we seek to get the attention of other nations in our world then we must give our surplus food to the poor and the starving.

It should be noted that 40,000 people die every day from starvation and diseases related to malnutrition. Over half of those, which is 20,000 plus who die, are under 5 years of age.

I cannot understand how a civilized nation like America can say to the American Farmer -

1. Don't grow grain

2. Plow your grain under

3. Graze your cattle

4. Turn your grain into hay

When 20,000 precious children are dying each day. I would definitely encourage the passage of legislation that would release America's surplus grain to the hungry and to the starving of the world.

I know that the large organizations which are humanitarian and missionary in nature would take this grain and distribute it to the poor and to the starving.

Recently someone shared the story that you could set 10 children at a table to represent the children of the world. Place a plate in front of each child.

The first three children's plate are full, in fact they have more than enough to eat.

The next two plates have adequate food but none to throw away.

The next three plates have a little beans or a little rice and these children will probably make it. However they will be undernourished, nervous and have very little energy.

The last two plates are empty and these two children will die from starvation or from a disease like dysentery or pneumonia because they do not have the strength to fight off the disease.

Gentlemen, today 20,000 precious children will die. Today we have over a billion bushels of surplus wheat.

As President of Feed the Children I would encourage legislation that would help get our surplus grain into the hands of the hungry and starving.

President Kennedy and President Carter stated that we can feed the hungry world . . . if we have the will to do it.

Congressman, I pray you have the will to do it.

JOINT STATEMENT OF FRANK R. LIGHT, PRESIDENT, SUN DIAMOND GROWERS OF CALIFORNIA, STOCKTON, CALIF., AND KALEM H. BARSERIAN, GENERAL MANAGER, RAISIN BARGAINING ASSOCIATION, STOCKTON, CALIF.

Mr. Chairman and distinguished members of the Senate Agricultural Committee, we are here today on behalf of the 4,500 growers and 19 packers of the California raisin industry. I am Frank Light, President of Sun-Diamond Growers of California. Sun-Diamond is a federated marketing cooperative composed of Sun-Maid Growers of California, Sunsweet Growers, Diamond Walnut Growers, Inc., and Valley Fig Growers. We sell our members' raisins, walnuts, prunes and figs throughout the world. Sun-Maid represents approximately 2,100 raisin producers and is the world's largest raisin processing and marketing enterprise. I hold several other posts which involve me heavily in trade matters. I am a member of the newly created California State World Trade Commission, Chairman of the Export Marketing Committee of the California Raisin Advisory Board, President of the California Dried Fruit Association and I serve on the Board of Directors of the Agricultural Council of California and the National Council of Farmer Cooperatives as well as on the governing bodies of federal and state commodity marketing boards.

With me today is Kalem Barserian, General Manager of the Raisin Bargaining Association, which is a farmer cooperative representing approximately 2,000 raisin growers. The Raisin Bargaining Association on behalf of its producer members bargains for a field price to be paid to its members for their crops by the 17 independent U.S. raisin handlers who also sell raisins throughout the world. Mr. Barserian is also on the federal and state marketing boards for raisins and has recently served as the President of the National Committee of Agricultural Bargaining and Marketing Associations.

Mr. Chairman, we commend you for holding these vital hearings. We wish to thank you, Senator Helms, in particular for taking the initiative to change agricultural foreign trade policy by your amendment to the Omnibus Reconciliation Act of 1982. That amendment and this Committee's efforts today are providing the stimulus for our government to counteract the blatantly unfair and in many cases illegal export trade practices of our foreign competitors.

Needless to say, we are also pleased that California's new Senator, Pete Wilson, is a member of this Committee. Our entire constituency is proud of Senator Wilson. He has demonstrated a strong interest and sensitivity to the seriousness of the problems that our industry has encountered with the European Economic Community.

With fair and uninhibited trade we can on our own outsell any raisin producer in the world. Raisins produced in the United States are of infinitely superior quality to Mediterranean produced raisins. The productivity of our United States farmers is four times greater than that of the Mediterranean raisin producers. Yet we in the United States stand to lose our entire export market because of the European Economic Community's recently escalated subsidy program for Greek raisins.

For the past 75 years, our United States farmers have invested their dollars and creativity in the creation of raisin markets in nearly every nonproducing country in the world. During that span of time we have competitively maintained these valued trade outlets. These hard won markets are in jeopardy today. Even worse, our domestic market is now being damaged by the unfair competition of the subsidized raisins from Europe.

For three crop years now, since Greece became a member of the European Economic Community, our growers have tried to save our raisin export markets by meeting subsidized Greek raisin export prices. Their prices are not only 60% less than our costs but also over 50% less than the guaranteed payments received by Greek farmers.

Our growers do not have the financial resources to continue to compete with the treasuries of the ten European Economic Community nations. Therefore, we petition and pray for immediate export trade relief for our producers and for all of agriculture for that matter. Senator Helms' bill S. 251, the Agricultural Export Equity Act of 1983, which has been cosponsored by Senator Wilson, will greatly remedy our immediate problem.

UNITED STATES RAISIN INDUSTRY

All raisin production in the United States is concentrated in the central San Joaquin Valley of California. Our raisin producers devote an average of 30 to 35 acres of grapes to the production of raisins (mostly from Thompson Seedless grapes). There are now approximately 240,000 bearing acres of raisin variety grapes and 35,000 nonbearing acres. The average production level is 10 tons of fresh grapes per acre which when dried produce 2 tons of raisins per acre.

The United States raisin industry normally sells 250,000 tons of all varieties of raisins annually. Nearly 30% of our raisin crop is exported. Of this amount, roughly one-third has been sold to European Community countries, one-third shipped to Japan, with the balance sold to some 40 other nations.

WINE MARKETING DIRECTLY IMPACTS RAISIN MARKETING

An economic phenomenon peculiar to the Thompson Seedless and other raisin varieties of grapes is that they can be sold through four market outlets. They can be crushed for wine, dried for raisins, sold fresh as table grapes or canned as in fruit cocktail. Normally this versatility would be considered an advantage to the farmer, but now that we are confronted with the Common Agricultural Policy of the European

Economic Community there is a double hardship imposed on our grape producers.

Escalated importations of subsidized European wine into the United States is causing a diversion of Thompson Seedless grapes from wine production to the production of raisins. At the same time the European Economic Community is curtailing our ability to sell raisins.

We are virtually at the point where we can no longer cope with this dual market pressure -- importation into our domestic markets of subsidized wine and raisins create surpluses which are nearly impossible for us to sell because of the EEC curtailment of our export markets.

EXPORT COMPETITION AND RAISIN INDUSTRY RESPONSE

One-third of the world's raisins are produced in the United States, roughly 15% in Greece, 15% in Turkey, with the balance being produced in Australia, South Africa, Afghanistan, Iran and several other countries. In radical contrast to our United States raisins industry, foreign producers in each of the other countries receive some sort of assistance from their government. Such assistance includes a myriad of subsidies, price guarantees, freight or storage allowances and government sanctioned selling cartel organizations, to just name a few.

For nearly three quarters of a century we have been selling our products in international trade even in the face of assistance provided to our foreign competitors. We have traditionally been able to compete on the world market at a price averaging 10% over their subsidized price. Consumers have been willing to pay this premium for our raisins because we are a reliable supplier of a superior quality, clean product that is ready to use by consumers and does not require prior washing and drying.

In January 1981 these conditions changed abruptly. The world raisin market suffered a phenomenal disruption directly due to the accession of Greece into the European

Economic Community. At that time Greece, the only raisin producing country in the Community, was able to negotiate and receive a massive increase in its system of aid for its raisin industry. These shocking subsidies which were significantly increased in 1982 and 1983 severely distorted the entire world raisin trade. Instead of the traditional 10% price differential, the Greek raisins were suddenly offered at prices 60% below world price levels and they were clearly less than one-half the Greek cost.

Not only have we lost export sales to the European Community but prize U.S. raisin markets, such as Japan, Canada and the Nordic countries, are now being rapidly eroded by attacks from other world producers that have also been displaced from the EEC market. South Africa has gained an alarming share of our Japanese market, Australia has targeted our Japanese and Canadian market to be obtained "at any cost" and the U.S. market in the Nordic countries is giving way to strong presures from Turkey, South Africa and Australia.

The impact on the U.S. raisin industry was immediate and devastating:

A. During the critical seasonal export period of August to October 1982 sales to our traditional European Community markets were 71% off from normal levels while total U.S. exports were off 47%.

B. Importation of wine into the United States in calendar year 1982 was up 33% from 1979 forcing more grapes to be made into raisins.

C. In desperation, to preserve a portion of our export business, the raisin industry has had to undertake its own export incentive program during the past three marketing years. At a cost of more than $50 million, financed almost solely by the raisin growers ($12,000 per family), our program will help the United States to hold on to this nation's foreign market until the end of this summer.

D. We filed a 301 complaint in December of 1981. Our case is currently under review by a GATT panel. Although the case has moved with unprecedented speed for GATT we have still encountered numerous delays and our vital export business continues to erode. We have been forced to recognize that the GATT dispute settlement mechanism is ill-equipped to deal with our trade concerns.

E. On several occasions we have requested the Secretary of Agriculture to make export assistance funds available under Section 32 or the Omnibus Reconcilation Act of 1982. To this date we have had no response to our requests. An annual expenditure of $45 million is currently necessary to retain our total traditional export levels. Until we convince the EEC to terminate or modify its subsidy system, the industry critically needs interim financial assistance from the government to protect its threatened export markets.

GOVERNMENT COUNTERSUBSIDY PROGRAMS

Certain government programs have recently been developed in an effort to offset our nation's decline in agricultural exports due to unfair foreign trade practices. None have been of value to our industry. When the blended credit program was first announced we analyzed it in detail and contacted our export buyers to see if such a program could be utilized. We found that it could not. This type of credit is not a major factor in our export business. Further, the European Community sells its subsidized products so far below its true cost that low interest credit for our raisins cannot begin to attract foreign buyers. Even though our delivered cash cost to European ports is nearly $1.00 per pound, we must reduce the U.S. raisin sales prices to close to the current Greek offering prices of 39¢ to 40¢ per pound or we will simply lose our valued trade. Our prices can only be reduced by a U.S. program of direct countersubsidies as contemplated by Senator Helms' legislation, S. 251.

STATEMENT OF RICHARD L. PETERSON, GENERAL MANAGER, CLING PEACH ADVISORY BOARD, SAN FRANCISCO, CALIF.

Mr. Chairman and members of the Committee, my name is Richard Peterson. I am the General Manager of the Cling Peach Advisory Board, a body organized under California law to represent all California producers and marketers of cling peaches. The Board is responsible for advertising, market promotion, quality control, and research in connection with the sale of cling peaches both domestically and abroad.

At the outset, I would like to commend Senator Helms, Senator Wilson, and the entire Committee for their attention to agricultural trade issues and legislative initiatives early in the 98th Congress. The trade initiatives being developed to counteract the unfair trade practices of our foreign competitors are critically needed to revive U.S. agricultural exports. No industry is more painfully aware of this than our own.

California produces 100 percent of the nation's cling peach supply. Approximately 72 percent of the cling peach crop are packed as canned peaches; another 25 percent are used in canned fruit mixtures; and the remaining 3 percent are packed as baby food, puree, or concentrate. The total finished product value of cling peaches and fruit cocktail is $500 million.

Because of limited domestic consumption, significant quantities of our product must be exported. Indeed, canned peaches and fruit cocktail have traditionally been ranked among the top ten exports from California.

In the 1981/82 crop year, U.S. canned peach and fruit cocktail exports totaled 4 million cases, valued at $72 million. On its face, this export level appears high. But, it represents a sharp decline over past export levels and is severely inadequate to meet the needs of our industry.

The reason for this decline is clear. Our falling exports are directly and immediately attributable to the unfair trading practices of the EEC.

Although once a vital export outlet for U.S. canned fruit exports, the EEC has now largely barred market access for our product. This has been accomplished through the use of massive and illegal subsidization. The EEC innocently tells us that these subsidies do no more than compensate for the price difference between world imports and the Community product. The fact of the matter is that EEC subsidies run far higher than is necessary for compensatory purposes. The EEC pays the processor, for example, virtually the full cost of purchasing his fruit.

This infusion of government funds into the EEC's canned fruit industry has had its intended effects. Community producers can now undercut imported canned fruit prices by a substantial margin. Moreover, EEC canned fruit production is on the rise at an alarming rate.

The effect of EEC subsidies on U.S. canned fruit producers has been nothing short of disastrous. During the 1981/82 EEC marketing year, U.S. exports of canned peaches to the EEC declined by 71 percent over the previous year; exports of fruit cocktail declined by 33 percent. In dollar value, these export losses to the EEC totaled $8 million.

Because other foreign canned fruit producers are being similarly displaced by EEC practices, competition in third country markets has intensified. As a result, the United States' total world exports have suffered, dropping in 1981/82 by 32 percent for canned peaches and 15 percent for fruit cocktail.

More important than these dollar figures are the human costs involved. Lay-offs and plant closings have affected thousands of California cannery workers. Farm workers have been hurt by a significant shrinkage of prime fruit acreage.

The U.S. canned fruit industry should not have to bear these burdens. In effect, our farmers and processors are being forced to reduce their income so that the income of EEC farmers and processors can be increased. This is not only grossly unfair, it is patently illegal under international law.

We had hoped that by challenging the legality of these subsidies through domestic and international proceedings, some relief would be forthcoming. For this reason, we joined with the California raisin industry in 1981 to protest the subsidy scheme under Section 301. The issue was subsequently brought to the GATT by the United States in early 1982.

Although the Administration has publicly committed itself to resolving this GATT action within a year, we are now into 1983, and the conclusion of our case does not appear to be imminent. We have witnessed delay after delay in the GATT proceedings, due in part to bad faith efforts by the EEC to frustrate dispute settlement and in part to institutional shortcomings.

Whatever the reasons for these procedural delays, one thing is clear: the United States, not the EEC, is harmed by a maintenance of the status quo. While the question of the subsidy's legitimacy is held in limbo by a deficient GATT dispute settlement process, our industry is forced to sustain ever growing and, in many cases, irreparable export losses. At the same time, the European industry continues to flourish, providing the Community with little incentive to amend its current practice.

Given these unfavorable circumstances, we applauded Section 135 of the Omnibus Reconciliation Act of 1982 mandating that the Secretary of Agriculture use between $175-190 million on export promotion activities. We viewed this as a means of obtaining temporary relief from the EEC's unfair subsidy practices.

A request for export assistance under Section 135 was submitted to the Secretary of Agriculture in September of 1983, asking that $10.4 million be provided to our industry to help it maintain the export markets being threatened by the Community. A response from the Department has not yet been forthcoming, and of course our export losses continue to grow.

The introduction of S. 251 has given us some renewed hope in its requirement that the Secretary of Agriculture use the $90 million remaining under Section 135 to expand the export of value-added products through price and credit subsidies. It is our belief that the application of a portion of these funds to assist U.S. exports of canned fruits and raisins would be an appropriate and effective use of the $90 million. If -- as the drafters intended -- this measure is to be successful in bringing the EEC to the bargaining table, the funds will need to be applied in areas which will have maximum impact. The use of these funds on specialty value-added crops such as canned fruit and raisins is certain to have a strong economic impact on the European industries. More important, these commodities are the subject of unfair EEC trade practices and desparately need assistance.

As a cautionary note, canned fruit exports are typically not sold on credit. Thus, to be effective, assistance will be needed in the form of price, rather than credit, subsidies.

A U.S. program of counter-subsidies constructed to respond to already-existing EEC subsidies is economically imperative. We must not practice a free-trade policy when our trading partners do not. U.S. agricultural trade -- one of this country's greatest strengths -- simply cannot be sustained unless we can neutralize foreign subsidies with our own export subsidy program. S. 251 is to be applauded for proposing to take this necessary step.

That concludes my remarks. I appreciate the opportunity to appear before you.

STATEMENT OF HON. JOHN R. BLOCK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, I appreciate the opportunity to discuss with the Committee the legislative proposals for programs to assist in the export of U.S. agricultural products.

We support useful measures to increase exports in today's difficult international marketing climate for agriculture. We have the authority to implement export promotion programs and have already done so on a selective basis which will make them most effective. We have used our authorities to develop the Egyptian wheat flour sale, for example, and we will continue to take such necessary actions when warranted.

These tools, however, are not applicable to all market situations; they must be developed in a selective manner to meet specific situations where we face subsidized competition. We must ensure that we are effectively expanding our demand base and not displacing other U.S. sales of any type or interfering with existing trade flows from other exporting countries that compete fairly in the world marketplace.

ADMINISTRATION POLICY ON TRADE AND AGRICULTURE

In his State of the Union Message, President Reagan made very clear his position on trade. He proposed a broader strategy in the field of international trade that increases the openness of the world trading system and is fairer to America's farmers in the world marketplace. He asked for new negotiating authority to remove barriers and to get more of our products into foreign markets. However, in seeking a broader strategy, the objective remains one of promoting free trade and increasing the flow of American goods.

Previously, the President has taken significant actions to enhance agricultural trade. He lifted the Soviet grain embargo, and he aggressively sought to restore American agriculture's reputation as a reliable supplier. He explicitly stated that restrictions will not be imposed on farm exports because of rising domestic prices, that farm exports will not be singled out as an instrument of foreign policy and that world markets must be freed of trade barriers and unfair trade practices. Most recently, he signed legislation to ensure the sanctity of export contracts for U.S. agricultural commodities.

The Administration's aim is to preserve and extend the benefits of freer trade. To do this will require resisting protectionist pressures at home while continuing to urge foreign governments to eliminate their more objectionable trade-distorting policies.

The practices of some foreign governments pose extremely difficult issues for U.S. trade policy. The European Economic Community now engages in massive subsidized export of agricultural products to dispose of the surpluses created by its high internal price-support program. Other countries, such as Japan, severely limit market access. These measures depress world prices of agricultural products, imposing substantial costs on U.S. producers in a sector where the United States holds a clear comparative advantage.

The United States traditionally seeks to induce other nations to move in the direction of freer trade and away from government interference, and we will continue to do that. This policy has served this nation and the agricultural economy well. U.S. farm exports tripled between 1971-1981 -- creating jobs and many other economic benefits.

However, there is a potential role for carefully targeted measures, explicitly temporary, aimed at convincing other countries to reduce their trade distortions. There are obvious risks that this could lead to a trade war in which everyone will lose. The production from two out of every five acres planted in this country is exported and we must preserve the market system which will yield the benefits of our comparative advantage. Protecting an inefficient industry is contrary to free trade and is objectionable protectionist policy. However, a recognition that a government has the obligation to give an efficient industry acess to an open market is another story. We intend to fulfill our obligation to this nations' farmers.

CURRENT TRENDS IN AGRICULTURAL EXPORTS

The value of our agricultural exports is down -- by close to $5 billion in fiscal year 1982 from the record $43.8 billion in fiscal year 1981, with indications of a further decline in the current year. While part of this decline is due to lower prices, export volume for most commodities is also down.

We share with the rest of the U.S. economy the negative effect on exports of the global recession and the strong dollar. But we also face problems that are peculiar to agriculture: our situation is aggravated by record world crops of grain and oilseeds, huge supplies in both importing and exporting countries, and by a number of special problems that affect our competitive position.

One important aspect of the current slump in exports is the fact that not only are U.S. agricultural export totals declining, the U.S. share of the world market also has turned down.

This is readily apparent in wheat and feedgrains. Despite the fragile condition of the world economy, world wheat consumption and import demand have continued relatively strong. U.S. wheat exports, however, are declining sharply this year, after a large increase last year. In the absence of any efforts by the European Community to restrain subsidized exports, we project a decline in our wheat shipments in the neighborhood of 7 million tons for 1982/83, while those of our competitors are projected to increase by about 6 million tons.

World production and consumption of feed grains has also been increasing. However, production has been increasing faster than consumption for the past two years, and the level of world trade has dropped.

This has brought a decline in U.S. feed grain exports, as might be expected, from 72.4 million tons in 1980/81 to a projected 55.9 million tons this year. But we are losing not only because of slack demand -- we are losing to competition. The increase in shipments held by other suppliers explains some of the U.S. decline in feed grain exports. The rest comes primarily from the drop in demand, particularly from the USSR and Eastern Europe.

We are concerned, also, about the drop in exports for numerous other commodities including cotton, soybean meal and oil, rice, and poultry. Moreover, our share of the world cotton market, for example, fell from 40 to just over 30 percent from 1980 to 1982. Our meal and oil share went from 40 to 30 percent in three years and broiler share is down by one-third.

There are many reasons for these export losses. The greatest adverse effects on our exports stem from a worldwide recession and a strong U.S. dollar overseas. Other reasons include the increased use of subsidies by competitor nations, and the continuing effect of the 1980 embargo on sales to the Soviet Union, when the U.S. share of the Soviet market for grain plunged from about 70 percent to less than 24 percent.

After President Reagan lifted the embargo in 1981, U.S. exports to the Soviets increased -- reaching 13.9 million tons in fiscal 1982. This was an increase of more than two-fifths from the embargo level and close to the level of pre-embargo shipments. However those 13.9 million tons still represented only 35 percent of the USSR grain market last year.

And in the current year, the Soviet market remains the single largest market for grains -- more than doubling in size in four years -- and U.S. farmers have lost that growth to competitor countries. The embargo stimulated production in those countries, and they have increased their sales to other markets as well as to the Soviet Union.

The decline of U.S. agricultural exports is a cause for serious concern. It means that we have serious competitive problems that prevent us from holding our own with other exporting countries.

Our projections for the next two years show that U.S. exports will continue to decline unless we act forcefully to restore our position.

WHAT ARE WE DOING?

We are streamlining and adapting the tools provided under all of our existing authorities to make them more effective and to reverse the decline. We have taken new initiatives and are studying others to bolster U.S. agriculture's competitive ability.

We are especially interested in the results from the new ways in which we are using export credit, particularly the blended credit program.

This program was developed primarily to compete with foreign subsidies and to penetrate markets in those developing countries, which, as a group, were a leading growth market until the credit crunch sharply reduced their ability to buy. We felt blended credit would be an effective tool: (1) to meet subsidized competition, and (2) to facilitate financing by importing countries.

The blended credit program uses Commodity Credit Corporation (CCC) GSM-5 direct credit and GSM-102 commercial export credit guarantees. Direct credit, offered interest-free, is combined with credit guarantees into a single package to produce an interest rate competitive with those offered by other suppliers.

We wanted to generate immediate sales of U.S. agricultural products that would not otherwise have been made and, for the longer term, to lay the groundwork for continuing U.S. sales when economic conditions improve.

The blended credit program was announced last October 20 at $1.5 billion over three years. One hundred million in direct, interest-free government credit was to be blended with $400 million in credit guarantees during fiscal 1983, with like amounts scheduled for each of the next two fiscal years.

The response from foreign governments in importing nations was immediate and enthusiastic. By year's end, the entire $500 million had been allocated to finance exports of more than 2.5 million tons of U.S. wheat, corn, vegetable oil, soy meal, and cotton.

President Reagan followed this up on January 11 by allocating $250 million more in interest-free credit to be blended with $1 billion in credit guarantees to finance at least $1.25 billion in additional blended credit export sales during fiscal 1983.

One month after the announcement, the first credits were approved under the new program -- for the sale of corn, rice, soybeans, and lumber to Jamaica.

The first $500 million of blended credit was allocated to eight countries. These included Morocco where, with blended credit and straight credit guarantees, we captured virtually all of the almost 2-million-ton wheat market, which has been dominated by subsidized wheat from France.

Another credit package, negotiated on the scene with the Yemen Arab Republic, allows that country to increase its imports of wheat and rice, giving U.S. agriculture 100 percent of those markets this year.

Elsewhere, to give a few examples, the first use of blended credit permitted Pakistan to increase imports of U.S. vegetable oil; it opened the door for the U.S. to penetrate the new and growing Philippines market for soybean meal, which has been supplied almost entirely by Brazil, and it cleared the way for the first substantial sale of U.S. cotton to Yugoslavia in almost 15 years.

We have also completed a supply agreement with Mexico, which I signed last week, using private export credit. It covers 6.2 million tons of U.S. corn, sorghum, soybeans and other commodities during 1983 and provides over $1 billion in U.S. credit guarantees to facilitate these sales.

This aggressive use of credit in new ways and with existing programs is important beyond the increase in export totals that have been generated. We are achieving the objective of market penetration in the face of competitor export subsidies and helping our exporters into markets that, while currently suffering some financial constraints, offer good growth potential as conditions improve.

To meet our needs in this effort, the authorization for the GSM-102 program in FY 1983 has been increased to $4.8 billion from $2.8 last fiscal year.

We continue, of course, to use Public Law 480 to support market expansion, and we made a special effort this fiscal year to speed up the programming of P.L. 480 Titles I/III. As a result, agreements signed during the first quarter of fiscal 1983 totaled $391 million, representing 50 percent of total dollar allocations for the year. This is well above the 10-year average for this period and exceeds the dollar amount and the percentage signed for any of the 10 years.

In our budget request for fiscal 1984, we have asked for an increase of $13 million in the Title I/III sales over FY 1983 to $872 million. This level of funding will provide long-term financing for about 3.7 million metric tons of commodity exports.

The Committee is familiar with our efforts to negotiate an end to the use of subsidies by the European Community -- subsidies that undercut market prices, erode the U.S. share of traditional markets, and absorb growth that would have gone to U.S. producers.

We have met with the Community three times since the GATT Ministerial last November failed to come to grips with the issue of agricultural export subsidies. A bilateral report on the status of these consultations is due in March. While we are not necessarily confident that we can negotiate a satisfactory solution with the EC very soon, we will continue to make every effort to do so and at the same time continue policies that help us remain competitive.

This Administration is committed to resolving this issue by negotiation, but meanwhile it is imperative -- and only fair -- that we do all that we can to defend our markets.

I have described our major efforts in this regard -- blended credit, credit guarantees, and others -- and I am pleased with their results.

The recent arrangement for the sale of 1 million tons of U.S. wheat flour to Egypt is one type of effort, and it is working out very well. This was a limited, selective action intended to make U.S. wheat flour competitive in price in the face of export subsidies of other nations.

In the past few years, the Egyptian market for flour imports has been dominated by the European Community through its use of export subsidies. In January we worked out an arrangement with the Egyptians that allowed us to capture that market through the creative use of CCC credit guarantees and competitive pricing. The package includes credit guarantees under GSM-102 along with a competitive price to be made possible through the awarding of CCC-owned wheat to American millers who bid successfully for the business. This is based on a negotiated price of $155 a ton delivered to Egypt.

As I said, the Egypt flour sale is one type of payment-in-kind arrangement -- in this case providing for a payment of CCC-owned wheat to flour millers to enable them to mill and export flour at a competitive export price which otherwise would not be possible. There are other types of possible export PIK arrangements -- each permitting us to use CCC stocks to help U.S. exporters be more competitive.

The Egypt flour sale was possible under authorities of the Commodity Credit Corporation Charter Act, and we obviously could use those authorities again. Indeed, we will use them again when we feel it is warranted.

We have made considerable use of existing authorities in ways that will increase our agricultural exports, especially in those areas where we face subsidized competition. We view some of these uses as only temporary, but we will continue to use them as necessary, and in each action we plan to meet the following criteria:

*Selectivity.	It must be targeted to selected countries -- it would not be be a general subsidy program.
*Additionality.	It would not displace other U.S. sales -- cash, credit, or concessional.
*Non-interference.	It would not interfere with existing trade flows from other exporting countries that compete fairly in the world market place -- i.e. those that do not use export subsidies. It would not cut into their normal trade.
*Demand expansion.	It would expand the demand base -- not simply redistribute existing trade.
*International Rules.	It would be consistent with our international obligations.

In summary, Mr. Chairman, we have and will continue as necessary to use our existing authorities in innovative ways to meet the competition and help maintain market share.

Our hope is that other countries will realize that we will not stand idly by when we lose markets because of unfair competition or trade restrictions. And when they understand this, and recognize that all could be losers in this type of competition, we would hope that we could move to freer trade and relieve the United States from the burden of making virtually all the stocks and production adjustments necessary to meet the changing conditions of world agriculture.

STATEMENT OF THE HONORABLE MARC E. LELAND
ASSISTANT SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS

U.S. Agricultural Exports and the World Economy

I welcome this opportunity to testify on several legislative proposals designed to increase U.S. agricultural exports, reduce burdensome government stocks, and meet foreign subsidized competition. A variety of measures have been proposed to achieve these objectives, including donations of government stocks to needy countries, the creation of a revolving export credit fund, the subsidized export of commodities owned by the Commodity Credit Corporation (CCC), international barter of CCC commodities for strategic materials, and the negotiation of a new U.S.-USSR grain agreement.

The Administration shares the concern of the sponsoring Senators and the U.S. farm community about the importance of agricultural exports to U.S. farmers and to the U.S. economy in general. Government-held stocks of farm commodities are extremely expensive -- and growing rapidly -- and measures must be taken to reduce this burden to the Federal budget by bringing supply and demand more into line. We are also very concerned, as you are, about the adverse effects of foreign export subsidies on potential U.S. export sales and farm income.

Secretary Block has outlined the steps we are taking to address these concerns: (1) providing government support for agricultural exports, including the new blended credit program, to counter foreign subsidies; (2) reducing burdensome government stocks through a domestic payment-in-kind (PIK) program; and (3) negotiating in international forums such as the GATT and bilaterally with the European Community in particular. I would like to discuss these issues from the broader perspective of recent developments in the world economy.

Importance of U.S. Agricultural Exports

Agriculture is one of the most trade-dependent sectors of the U.S. economy. Approximately two-fifths of U.S. agricultural production now goes into export -- nearly double the percentage for U.S. production of goods as a whole. U.S. agricultural exports rose dramatically from $7.4 billion in 1970 to $44.3 billion in 1981, while increasing their share of total U.S. exports from 17 to 19 percent over this period.

Last year, however, U.S. agricultural exports declined by more than 16 percent in value terms to about $37 billion. They are expected to decline further in 1983. Why has the value of our exports fallen? Is the EC primarily to blame, or have general economic factors been the cause of lower farm prices and U.S. export sales? Are further government measures to boost exports necessary to improve our trade balance, to raise U.S. farm income, and to maintain our share of world agricultural markets?

Certainly not all of the blame for U.S. agricultural difficulties can be laid at the EC's door. We have not done so. We recognize fully that other economic factors -- increased world production and the global recession, resulting in a decline in prices; the debt problems of the developing countries; and to some extent a strong dollar -- have in fact had a major impact on U.S. agriculture in recent months. U.S. exports of non-agricultural goods also declined by nearly 10 percent in value in 1982, while world trade generally fell for the first time since World War II. Our agricultural exports to Mexico, one of our largest markets and a key developing country experiencing serious debt problems, declined by nearly 50 percent in FY 1982, while our total exports to Mexico in calendar year 1982 dropped by nearly $6 billion, more than with any other single country.

The Policy Response

As these facts demonstrate, many of the problems facing agricultural exporters are faced by other exporters as well. And given the current international economic environment, we should not expect a dramatic upturn in our agricultural or non-agricultural exports in the near future. Indeed, they may decline further as debt-ridden LDCs reduce spending to adjust to current realities -- as they must.

As in the trade area generally, the economic response to declining exports is not massive government subsidies. Our primary trade objective is not to maintain artificially a given level of U.S. exports in any particular sector -- in order to boost overall exports -- but to assure that U.S. exports can compete fairly in world markets.

But unfair competition must be dealt with. The perception of unfairness due to the practices of other governments is particularly strong in the agricultural area. It is obvious that other governments subsidize agricultural exports to dispose of surplus production, rather than adopting policies that lead to market-oriented adjustments in supply and demand. International rules dealing with these practices are also much weaker than those for industrial products. The process of improving international discipline is painfully slow, but we have reached international agreement in the GATT to study the effects of agricultural subsidies on world trade and to consider possible changes in existing rules. I wouldn't want to over-promise what these discussions will accomplish. But they are an attempt to get things moving.

Whether further U.S. export subsidies, beyond the $1.75 billion blended credit program, are needed as a strategic measure to encourage international movement toward agreement on better discipline has not been decided. This Administration is not generally disposed to enter into broad export subsidy programs, for any product. Our reasons are both economic (subsidies are costly to U.S. taxpayers and distort the market) and political (other nations are likely to respond in kind, or may retaliate against other U.S. exports).

We should not attempt to use direct export subsidies to counter the effects of a strong dollar on U.S. agricultural exports:

- (1) Such subsidies, if successful in increasing the total value of U.S. exports, will increase the demand for

U.S. dollars and hence further strengthen the dollar. This would (a) hurt other U.S. exports which don't receive subsidies and (b) hurt U.S. import-competing industries such as high technology industries.

(2) Export subsidies are self-perpetuating: if they cause the dollar to appreciate, even greater subsidies will be required in the future to maintain export sales.

Furthermore, it may prove impossible to constrain our subsidies to a small percentage of trade in a specific product. Over time, maintenance of a market share is likely to require that more and more of our exports of that product be subsidized, at substantial cost to the Federal Government.

Let there be no doubt that this Administration supports U.S. agriculture. We will not stand idly by while U.S. farm exports are disadvantaged in international markets. Yet we must recognize the risks involved and proceed with realism.

STATEMENT OF BERNARD STEINWEG, CHAIRMAN, INTERNATIONAL TRADE COMMITTEE, NATIONAL GRAIN AND FEED ASSOCIATION

Mr. Chairman and Members of the Committee:

My name is Bernard Steinweg. I am Senior Vice President with Continental Grain Company, New York, New York. I am chairman of the International Trade Committee of the National Grain and Feed Association who I represen. In my appearance today.

The National Grain and Feed Association is a voluntary association of grain and feed firms. The operations of our 1,250 members include country elevators, terminal elevators, processors and exporters. There are 48 state and regional grain and feed associations affiliated with the National Grain and Feed Association that represent upwards of 10,000 grain and feed companies nationwide. Our members provide the marketing system needed to distribute our country's abundant agricultural production from producers to both domestic and foreign consumers.

The National Grain and Feed Association would like to congratulate the Chairman and members of this committee for holding these hearings. They are a further indication that Congress fully understands the importance of a healthy agriculture to the economy of the United States.

Major attention has been focused on U.S. agricultural policies because of major cost overruns in commodity programs this year when compared to anticipated benefits. This is one of the reasons we now have the payment-in-kind program in place for the 1983 crops.

But as we are all aware, the longer term solution lies in expanding demand, particularly export demand.

It is clear that Congress recognized this fact when it passed a new law that bars the cancellation of valid export contracts within nine months of delivery except for national emergency or declaration of war. Congress should be commended on its leadership in this legislation that makes a firm commitment to our foreign customers to honor our export contracts and maintain our reliability as a supplier.

Congress has also worked with the Administration to create the new blended export credit program. The blended credit program has been highly successful in promoting export sales in a period in which many countries are burdened with mounting indebtedness and commercial credit has become more restrictive. Our association believes that government programs -- such as P.L. 480, GSM 102 and blended credit -- should continue to be part of this country's ongoing export initiative. Continuity is important, because these programs should be in place when our overseas customers need them to satisfy their food requirements -- not only when the U.S. needs to dispose of surplus commodities.

This brings us to the point of this hearing, which is to discuss additional export initiatives contained in several bills now before Congress.

In order to evaluate proposals for spurring growth in world trade or in the U.S. share of export trade, we must examine the factors causing the problems. They are somewhat different for grains than for processed or high value items.

Why U.S. Exports Are Depressed

For grains, the first and foremost problem is the financial and economic pressure that the worldwide recession has exerted on all nations and all industries. Credit has become more costly to everyone and less available to many of those nations who need it most. At the same time, the strength of the U.S. dollar has made U.S. commodities relatively more expensive.

We also know that the United States suffered substantial losses in Soviet grain trade over the past three years. In fact, if we now enjoyed the same share of the Soviet market as we had before the 1980 grain embargo, the U.S. would be selling the Soviet Union some 25 million tons of grain annually. Instead, this country appears likely to sell the USSR only the minimum 6 million tons called for by the LTA. The U.S. losses in the Soviet market encouraged several foreign competitors to increase their own production and to sign bilateral agreements to preserve their newly acquired shares of USSR trade.

Domestic farm policy has also aggravated our trade problems. As market prices have plummeted which should have signaled growers to reduce levels of production, our loan rates, target prices and reserve entry loan rates were increased. During the past three years, support levels have become a primary incentive for farmers to increase production. Our support levels provide an umbrella of price protection for the world, contributing to higher production in many foreign countries. As U.S. loan rates have dominated our markets, U.S. grain has been stored rather than marketed.

Reductions in P.L. 480 funding have also contributed to the decline in our export volume.

And finally, in a world where economic recession has generally stagnated demand for all goods and services, competition among sellers has become much more intense. This situation has highlighted the practices employed by all nations to both capture existing demand and to protect or insulate domestic producers and manufacturers from foreign competition.

While our wheat and feed grain exports have by no means been immune from market intervention by the EEC and other governments, the impact of these actions has been more strongly felt by U.S. processors.

Quite obviously, much of agriculture's attention has been specifically focused on the practices of the EEC. They are complex indeed.

Trade Problems with the EEC

As you know, the differences between the U.S. and the EEC have been festering for years. Problems are aggravated by old GATT negotiations that granted the U.S. waivers to set duties on dairy products, sugar, peanuts and cotton. At the same time GATT set zero bindings on EEC imports of soybeans, meal and feed grain substitutes. Not surprisingly, imports of these items have increased dramatically. The focus in recent years has shifted to the EEC's export policies and the interpretation of "primary products" and "equitable market shares", which are the mechanisms within GATT through which export subsidies may be rationalized.

Both the U.S. and the EEC offer their producers price and income supports. When those supports are in excess of market clearing levels, surpluses accumulate. The U.S. uses acreage diversion and set-asides to control production. Our objection, which appears more than justified, is that the EEC has continued to increase its price supports but made no attempt to control production which has led them to aggressively seek export markets with the use of subsidies in order to dispose of these surplus stocks.

A decision to use subsidies of our own to recapture or expand markets opens up a whole set of problems. It is the inherent dangers of the use of subsidies that our association wishes to bring to the attention of this committee.

The Problems With U.S. Export Subsidies

The first, and foremost, problem with subsidies is that they are totally inconsistent with the philosophy that free and open markets promote maximum economic growth and efficiency. U.S. subsidies will constitute no less of a trade-distorting practice than that of our trading partners. We applauded our market-oriented policy in the 1970s. Are we justified in abandoning it because times are less prosperous?

The second drawback is that subsidies invite further retaliation from countries who are the target of retaliation and possible retaliation by others whose trading positions are inadvertently damaged. It is impossible to predict how others will react and what ultimate damage will occur.

Third, subsidies distort market pricing, making it difficult or impossible to determine the true market value of a commodity. In view of recent developments in the flour market, I wonder whether anyone can tell us what the price of a 20,000 ton shipment of wheat flour for export is today?

A fourth problem with subsidies is that they favor foreign buyers over our own domestic customers. Domestic processors and end-users continue to pay the U.S. market price for goods while foreign customers reap the windfall benefits of lowered prices. We should remember that U.S. markets still represent about 60 percent of total use of major grains produced in this country.

Fifth, and finally, subsidies might well send the wrong signal to producers, commodity processors and handlers if they are perceived as a continuing expression of government export policies. This could compound necessary domestic adjustments.

There are also problems in how the government administers any subsidy program:

--Will they be targeted to destinations, such as Egypt?. This raises the concern of making subsidies a political decision.

--Will they continue indefinitely?

--Will they be used across the board? We recently had 50 percent of the international wheat market; now it is more like 45 percent. So, do we subsidize wheat exports to all destinations to regain that lost share?

--Will we open up more direct government sales, such as the recent Egyptian sale?

--And are we throwing in the towel on GATT, which, so far, has been the world's most important international mechanism in reducing trade barriers and dealing with trade disputes?

Implementing Subsidies

The issue is so complex and potentially dangerous that the only reason not to rule out subsidies completely is that such a position would invite other countries to undercut us without fear of retaliation and thereby remove any chance of settling disputes on a bilateral basis.

We find it impossible to offer a specific prescription that would warrant the use of subsidies, whether for retaliation or as an inducement for added sales. Consideration must be on a case-by-case basis.

We recognize that subsidies are now being considered as a near-term policy measure. When subsidies are contemplated as a means of retaliation, our association suggests certain conditions be met:

1. U.S. trade disputes should continue to be subjected first to the same review procedure, such as the process involved in a section 301 case.
2. Congress should not mandate when subsidies are used because there are too many unforeseen variables involved in each case. Nor should blanket authority be given to USDA to use subsidies without determination by the Special Trade Representative that the issue involves an unfair trade practice and not a domestic issue.
3. Before using export subsidies in retaliation to unfair trade practices, we must assure that a genuine attempt has been made to reach a settlement through bilateral negotiations.
4. And, lastly, if we must subsidize, domestic support prices should be frozen or adjusted to more closely reflect the true market-clearing levels.

Conclusion

In conclusion, we believe the centerpiece of our U.S. policy should be to revitalize our domestic and world economies. When considering solutions to our short term challenges, we must remain cognizant of the long term implications for our markets.

We believe there is a rational course of action that will address the economic problems of agriculture and there are several positive steps that should be taken to rebuild our markets.

First, we must change the direction of our domestic farm programs. U.S. loan rates, target prices and reserve loan rates are too high relative to today's market conditions. They encourage excessive production in both the U.S. and the rest of the world. We believe that U.S. producers are confronted with a difficult period of needed adjustments, but the longer the U.S. continues with its present domestic policies, the more difficult the necessary adjustments will be. Congress and the Administration have already demonstrated a willingness to deal with this issue for the 1984 crop year.

Second, we support in principle, as an interim measure, the announced 1983 programs that are intended to reduce grain stocks. While massive reserves depress prices, they also discourage importing countries from buying. Countries are not eager to purchase grain in excess of immediate needs when they know it will always be available, and the U.S. will pay the carrying charges. Therefore, we believe a reduction in U.S. stocks to more normal carryover levels would, in itself, lead to an increase in U.S. export volumes.

Third, we must recognize the importance and special circumstances surrounding agricultural trade with the Soviet Union. It is apparent that a new grains agreement is needed if we are to normalize trade with the largest importer of grains in the world.

Fourth, the U.S. government should continue to fund programs such as P.L. 480, GSM 102 and blended credit at adequate levels to enable foreign countries to purchase needed food and encourage our export movements.

And finally, we must continue -- at the highest level of government -- our efforts to solve trade differences on a bilateral basis and through GATT. Our recent actions and those contemplated by this committee will hopefully result in more productive and realistic negotiations by all concerned parties.

STATEMENT OF RALPH WEEMS, JR., FIRST VICE PRESIDENT, AMERICAN SOYBEAN ASSOCIATION

My name is Ralph Weems and I am a farmer from West Point, Mississippi where I produce soybeans and wheat. I appear here today in my capacity as First Vice President and President-elect of the American Soybean Association to offer comments on the several "export PIK" and related export enhancement bills that are pending before the Senate. We ask that our comments be included in the record of the Committee's hearing on those bills.

The American Soybean Association is a national, volunteer, non-profit, farmer-controlled, single commodity association organized to assure the opportunity for a profitable soybean industry. ASA has approximately 20,000 dues-paying members and is supported by over 500,000 soybean producers who voluntarily invest in ASA programs through 23 separate statewide soybean checkoff programs. ASA seeks to maintain soybean profitability through its foreign market development, research, producer and public information, and government relations programs.

ASA supports the major principles embodied in the several bills under consideration. We concur with the contention that U.S. farmers can no longer afford to endure the loss of their hard-won foreign markets as the result of the export subsidy programs employed by our competitors. To lose markets through fair competition is one thing, but to see markets taken away by unfair trade practices is another.

We do, however, suggest a bit of caution on the part of the Administration, Congress, and the agricultural sector with respect to the adoption of retaliatory agricultural subsidy programs. We must remember that the current slump in U.S. agricultural exports is not as much the result of subsidized foreign competition as it is the high value of the dollar and, in some commodities, the interference of their loan programs with the world price for the commodity. Certainly we have experienced losses in exports of poultry, soybean oil, wheat flour and wheat as a result of the export subsidy programs of the European Community, Brazil, Spain and other nations. However, the recent export declines in feed grains and cotton cannot be attributed to the export subsidies of competing nations. Those declines are the result of the overvalued dollar, the world recession, and the interference of the feedgrain and cotton price support programs.

American soybean producers know only too well how much the overvalued dollar has hurt our exports. Today, the West Germans are paying 30-percent more in their currency for $5.75 per bushel soybeans than they were paying two years ago for $7.00 per bushel soybeans. Similar conditions exist for the Japanese, the French and the Belgians. Fortunately, because the soybean loan level is market-oriented, we were able, in 1982, to achieve a 28% increase in soybean exports and prevent a huge build up in surpluses like those present for other commodities.

ASA also wishes to point out another major reason for the decline in exports of wheat and corn, and the corresponding build up in U.S. surpluses of those commodities was the 1980 Soviet embargo. Had President Carter not imposed the Soviet embargo there is little doubt American agriculture would not be in today's serious situation. American soybean producers continue to suffer the effects of the 1980 embargo as witnessed by the fact that we have not yet sold the Soviets any soybeans or soybean products in the current marketing year. In 1979, we sold the U.S.S.R. $511 million worth of soybeans, soybean meal and soybean oil. Had our exports continued at pre-embargo levels, we would have very few soybeans in surplus today, and undoubtedly have higher prices. The recently signed contract sanctity act will go a long way toward helping us restore our Soviet trade, but only years of being a dependable supplier will allow us to overcome the effects of the 1980 embargo.

Thus, we should not blame all of our woes on other nations' subsidy programs, and we should not overreact during the current recession and cause a major trade war, especially with the European Community. The reality is that we are currently selling in excess of $9 billion worth of agricultural commodities to the E.C., $3.5 billion of which is soybeans and soybean meal.

The U.S. enjoys such a large export of soybeans and soybean meal to the E.C. because of the zero-duty bindings negotiated in the early 1960's. It is no secret the E.C. would like to eliminate the soybean bindings and reduce its imports of what it calls "grain substitutes". Just last week, French Agriculture Minister Cresson stated the E.C. could not afford to continue to import as much soybeans and corn gluten if the U.S. prevented it from exporting its grains. The Chairman of the German Farmer's Association also requested that an import levy be placed on U.S. soybeans and soybean meal in retaliation to the U.S. subsidized wheat flour sale to Egypt. We fear an escalated trade war between the U.S. and the E.C. will bring about such an abrogation of the soybean bindings and result in the loss of as much as $1 billion of our trade with the E.C. No doubt such an action by the E.C. would result in prompt and broad U.S. retaliation and be the catalyst which would set off a trade war unparalleled in history. American farmers would certainly be the major losers in such a trade war.

In view of the risks involved in our current dispute with the E.C., we urge Congress to take judicious action to offer export enhancement or "subsidy" programs only where it can be clearly shown U.S. export markets were taken away by the E.C. or other nations through the use of subsidies. We should not attempt to gain markets through the use of export PIK programs when those markets were never ours in the past. Finally, we caution against programs to expand exports of U.S. commodities supported by domestic programs at prices well above the world price. Not only would the subsidization of such non-competitive commodities lower us to the level of the E.C., but it also goes against the basic principles of trade based on competitive advantage.

Having offered our thoughts on what we believe to be the risks of a trade war with our competitors, we call your attention to the soybean oil subsidy programs being offered by Brazil, Argentina and Spain, and the losses in U.S. soybean oil exports that have resulted from those subsidies. A major cause for today's low soybean prices is the huge surplus (550,000 mt) of soybean oil that exists in the U.S. This surplus is largely the result of the subsidy programs of our competitors. For example, during the years 1977-1979, the U.S. averaged sales of $155 million worth of soybean oil to India. In 1980, Brazil began subsidizing soybean oil sales to India, and U.S. soybean oil sales to India dropped by over 85% to only $22.1 million. Presently, Brazilian soybean oil is selling from $10 to $25 less than U.S.-origin soybean oil (C&F Bombay) than U.S. oil exporters can afford to sell it.

Since soybean oil historically accounts for about 40% of the value of soybeans the current low U.S. soybean oil price is having a very depressing effect on cash soybean prices. Each 1¢ per bushel difference in the price of soybean oil translates into an 11¢ per bushel difference in the cash soybean price. If the soybean oil price was 25 cents per pound as it was 30 months ago rather than the 17-cent per pound it is currently worth, soybeans would be selling well above $6.50 per bushel. Incidentally, the current value of soybean oil is the lowest in real terms it has ever been.

To counter the soybean oil export subsidy programs offered by Brazil and to expand soybean oil sales to other nations, ASA urges Congress and the Administration to take the following actions:

1) Implement an Export PIK Program For Soybean Oil

USDA should implement a soybean oil export equalization program similar to the recently announced wheat flour sales program to Egypt.

CCC can use a portion of its 16 million bushel soybean stocks to implement the soybean oil export program in the same manner that CCC wheat stocks will be used to implement wheat flour sales to Egypt. Our analysis indicates such a program could result in U.S. value-added soybean oil sales of 500,000 mt to India, worth approximately $200 million. The amount of CCC soybeans that would be needed to generate sales of 500,000 mt would be only about 17% of the CCC's current soybean inventory.

In fairness, I must point out ASA does not endorse the above proposal lightly. We have historically opposed such non-market-oriented programs. However, the fact remains we were driven out of the Indian oil market by the subsidies of Brazil, and we can either choose to forever lose that market or compete for it. We have finally decided the only way to regain our lost markets and force Brazil to compete fairly without subsidies is to implement our own program. Hopefully, the soybean oil export PIK program we have described will convince the Brazilians to cease their subsidizing. If they do we will be the first to call for an end to the proposed U.S. export equalization program. For the present, however, ASA urges the Administration to immediately offer a soybean oil export PIK to allow the soybean sector to regain its rightful markets abroad and to expand U.S. value-added exports.

2) Expand P.L. 480 Titles I and III Soybean Oil Allocations

One area especially troublesome to the American Soybean Association is what it believes to be the inequitable allocations provided soybean oil in Titles I and III of the P.L. 480 program in recent years. During the period FY 1979-FY 1983, Title I and III allocations for soybean oil averaged 131,500 mt per year, or 3% of the total food tonnage exported under Titles I and III. During the same period an annual average of 353,000 mt (9%) of rice, 3,048,000 mt (76%) of wheat/wheat flour, and 481,000 mt (12%) of feed grains were shipped under Titles I and III of P.L. 480.

Since soybean oil is the second most requested commodity by P.L. 480 recipient nations and soybeans are America's largest cash crop, we believe we are not receiving our fair share of P.L. 480 allocations. Since soybeans are by far the least costly major commodity with respect to federal price supports, ASA believes Congress can and **should at least provide us with a fair share of P.L. 480 allocations to assist in effecting the export of soybean oil. We ask that the** allocations for soybean oil in FY 1983 be increased from 219,000 mt currently prescribed to a minimum of 300,000 mt, with the amount allocated in FY 1984 and future years being a minimum of 350,000 mt.

3) Require P.L. 480 Recipient Nations to Purchase More of Their Commercial Imports From the U.S.

One way the U.S. can generate increased commodity sales without additional cost is to require P.L. 480 recipient nations to purchase more of their commercial commodity imports from the U.S. This year, Egypt will receive $250 million under Titles I and III of the P.L. 480 program. That's over one-third of the total funds allocated under Titles I and III. Yet, Egypt will import almost 370,000 mt of vegetable oil, only one-third of it from the U.S. Similarly, Morocco will import over 140,000 mt of vegetable oil, only 6,000 mt of it from the U.S. However, Morocco will receive $25 million under P.L. 480 program. In total, during the 1981-82 marketing year the nations receiving Titles I and III P.L. 480 loans imported 1,484,000 mt of vegetable oil of which only 618,000 mt was from the U.S. That means the nations receiving P.L. 480 are buying at least 866,000 mt of vegetable oil from sources other than the U.S.

ASA believes it is time for the U.S. to get a little tougher on P.L. 480 recipient nations and require them to purchase greater shares of their commercial imports from the U.S. After all, can a nation with an annual budget deficit of $200 billion and a trade deficit of $60 billion afford to loan or grant billions of dollars to other nations

4) Combine P.L. 480 Loans With Blended Credit and Loan Guarantees in Mixed Credit Arrangements

France has long combined humanitarian loans or grants with commercial credits in "mixed credit" arrangements in order to out-compete the U.S. and other exporters for markets in developing nations. Through such "mixed credit" arrangements, France lowers the effective interest rate on the overall loan below those available from other nations.

ASA believes it is time USDA adopts the use of mixed credits to compete for markets in the developing world. By offering P.L. 480, blended credits, and commercial credits in a mixed credit package, USDA can lower the effective rate on the overall package. For example, if the U.S. was to offer a nation a $120 million mixed credit package composed of $20 million of P.L. 480 Title I (2% interest) and $100 million of GSM-103 mixed credits (8.8% interest) the effective rate on the overall package would be 7.67 percent. That makes sense to us.

5) Eliminate Cargo Preference

This year, USDA will spend over $100 million in subsidies for U.S.-flag ships to carry approximately half the commodities shipped under P.L. 480. Last year, U.S.-flag bulk ships averaged charges of $52.57 per ton more than foreign flag vessels to carry P.L. 480 commodities. That means a ship carrying 30,000 mt of commodities received a subsidy averaging $1,574,100 from the U.S. Treasury for a one-way ocean crossing. If the cargo was wheat, the subsidy amounted to almost $1.43 per bushel for the wheat transported. That's over one-third of the value of the wheat!

ASA is appalled by the Administration's decision last Tuesday that current cargo preference law applies to the Egyptian wheat flour sale. Application of the 50% U.S.-flag carrier preference requirement would require additional wheat to compensate U.S. exporters for the $60/mt premium charged by U.S. flag ships above the shipping cost of foreign flag carriers. Moreover, since the CCC owns only 33.2 million bushels of wheat, and a total of 41.4 million bushels would be needed to deliver the remaining wheat flour to fulfill our sale agreement with Egypt, the U.S. government would be forced to purchase the difference (8.3 million bushels) off the commercial market at an estimated cost of $33.2 million. Not only is this an unjustified raid on the federal Treasury, but it also throws into jeopardy export PIK legislation and ASA's proposed soybean oil export equalization program.

The U.S.-flag shipping industry has also been attempting to get the Administration to rule that cargo preference applies to all of the blended credit sales the U.S. has made in recent weeks. Such application would mean the effective death of the blended credit program.

Cargo preference should not be a dominant force in U.S. agricultural trade policy. It is time to stop the threat posed by cargo preference to U.S. programs needed to combat the predatory export subsidy practices of our competitors. Will Congress allow vital export PIK legislation and USDA's blended credit program to be held hostage to cargo preference law? ASA strongly recommends that Congress specifically exempt from cargo preference all export sales conducted under future export PIK or blended credit programs.

Even existing cargo preference law has yielded dubious results -- it has not stimulated a more efficient U.S. merchant fleet, but one that is totally inefficient by world standards. It is worth noting that the ship which sank two weeks ago off the Virginia coast, the Marine Electric, killing 31 seamen, was a 39-year old dry bulk tanker which had previously been carrying P.L. 480 grain. Reports from survivors of the catastrophe pointed out the unsafe, decrepit condition of the ship. The only reason it was still in service was the fact it had been receiving maritime subsidies, including cargo preference. We urge Congress to either transfer the entire cost of subsidizing the U.S. merchant marine to the Maritime Administration, eliminate cargo preference completely, or at least cap the subsidies provided U.S. ships at 25% above the rates charged by foreign carriers.

We appreciate this opportunity to offer our views on the export PIK concept. I will do my best to answer any questions you may have.

Thank you.

STATEMENT OF ROY M. HENWOOD, PRESIDENT

MILLERS' NATIONAL FEDERATION

Millers' National Federation finds itself in an unaccustomed position of high visibility as a result of the recent successful export sale of flour to Egypt. Many have testified of the need for further such programs to accomplish the threefold task of developing U.S. exports, reducing domestic agricultural surpluses--thereby firming prices--and notifying U.S. trade partners of our serious intention to defend our agricultural trade interests. Various legislative initiatives toward those ends have been offered for the examination of this Committee. In light of the prominence of the flour sale prototype, it seems appropriate to review the reasons for milling's advocacy of the program and offer an analysis of why our commodity was chosen as the initial vehicle.

The reasons for undertaking a program now are well known. They were:

- A continually eroding marketplace abroad for U.S. agricultural exports, much, though not all, of that erosion due to questionable trade practices by U.S. competitors.
- An increasing awareness on the part of U.S. policymakers of the extent to which the status quo in trade was hurting the U.S. agricultural community.
- Sound documentation. Clear cases have been made of the injury to a half dozen agricultural industries. In addition to the wheat flour case, cases for citrus, poultry, pasta, sugar, and raisins are in the GATT dispute settlement process behind us.
- A faltering farm economy, with few prospects for improvement in sight.
- Finally, all administrative remedies had been exhausted. There was really no alternative and the status quo was unacceptable.

Those five general factors remain in place today. They were replicated more specifically for wheat flour, the details being unnecessary for discussion here this morning. But wheat flour's position as the first commodity to test the dispute settlement process under the GATT obligates this industry to see the process through, for the agricultural trade community. Milling's commitment to the GATT process, to which it optimistically pledged its allegiance, and our subsequent disillusionment has prompted the export initiative cited by previous witnesses. The final galvanizing factor which led to the action in our behalf most likely was the reception which the U.S. agricultural delegation to the GATT Ministerial Meeting received in Geneva. That delegation returned with grim determination that an alternative course had to be found. The persistence of USDA in stressing the need for a clear signal should be noted and commended.

With respect to the Egyptian sale itself, there are a number of reasons why a closely targeted measure for flour was acceptable to our government:

- As noted, wheat flour is the lead case in the dispute settlement process of the GATT. Lessons learned in that process have direct applicability to other commodities which will follow the same path.

- The program was directed to a specific market to make a specific point against a specific trade competitor. No other trading partners were displaced nor was the message misunderstood.

- The market of this commodity is limited enough that chances of an escalated "trade war," which rightly concern responsible trade entities, are minimized. In short, wheat flour is judged to have a low "flammability factor" in comparison to some other commodities.

- The program is being conducted through existing conventions. No new government mechanism was required for its implementation.

- All sales generated are in addition to existing amounts. No U.S. commercial sales are displaced and the "additionality" factor benefits U.S. trade balances.

- U.S. budgetary exposure is limited by the PIK nature of the program. It resembles a straight commercial sale, the only money which changes hands is between the Egyptian government and U.S. millers.

- The added value multipliers affecting jobs, tax revenues, and other areas down the line in ripple effect are impressive. The addendum to this testimony shows the economic stimulus provided by the one million tons of flour sold to Egypt.

Of the above considerations, several are particularly applicable as the Committee judges the impact of the various legislative proposals before it. If it truly is U.S. intent to gain serious consideration from the EC at the conference table, then measures designed to do so must be applied judiciously. Programs offered similar to the wheat flour sale must be precisely targeted and commodity specific. To mandate a sweeping subsidy program would be to become carried away by short-term considerations to the detriment of the long-term objective which is to make the rules of the GATT work.

This industry's frustrating experience with the procedure of the dispute settlement process has proven that the GATT is flawed and in need of strengthening. But we remain committed to that process. The stated U.S. policy of striving through GATT to improve the ground rules for international agriculture to bring them more in line with the relatively open system for industrial goods should be the yardstick against which the effects of legislation considered by this Committee must be measured.

The foregoing may be an easy statement for U.S. millers to make now that we have received the benefit of a government-sponsored program. However, it is consistent with our original position which advocated a rifle shot approach to our trade disputes with the Economic Community. The U.S. remains a signatory to the GATT and as such has the obligation to make it work. Occasional leverage in the form of a closely targeted program under the discretion of the Secretary is appropriate when used judiciously and when appropriately justified.

In summary:

- The defense and promotion of U.S. agricultural export products must remain consistently a major component of U.S. foreign economic policy.

- It is not fair that the Economic Community transfer the costs of its Common Agricultural Policy to the exporters of other countries. In designing countervailing measures in support of her own export position, the U. S. must be sure not to fall into the same trap.

- The U.S. cannot lose sight of its original objective of an effective GATT.
- Proposals such as those examined here today must be judged on the basis of the foregoing and on the additional consideration that they not displace usual marketing requirements of existing U.S. agricultural exports.

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ECONOMIC IMPACT OF ONE MILLION TON FLOUR SALE TO EGYPT

A. Largest U.S. flour sale in history: One million tons (22.04 million cwts) over 12 - 14 months.

B. 1,390,000 metric tons (51 million bu.) of wheat used. Net: Approximately 986,000 MT (36 million bu.) from government-owned stocks. Approximately 354,000 MT (13 million bu.) from free stocks of wheat, i.e. open market.

C. Total additional economic activity (includes ripple effects): $800 - $850 million.

D. Total additional jobs created: 8-9,000.

E. Expected federal tax revenue: $35 - $36 million.

F. U.S. Treasury savings from reduced storage costs on CCC-owned wheat (26¢/yr/bu.) (basis one year storage reduction): $9,360,000.

STATEMENT OF J. STEPHEN GABBERT, EXECUTIVE VICE PRESIDENT
RICE MILLERS' ASSOCIATION

Mr. Chairman and Members of the Committee:

My name is J. Stephen Gabbert. I am Executive Vice President of The Rice Millers' Association (RMA). Established in 1899, the RMA represents independent and farmer-owned cooperative rice milling firms with facilities in Arkansas, California, Florida, Louisiana, Mississippi, Tennessee and Texas. RMA Members process all of the rice produced in the United States and sell significant quantities of that rice directly into export markets.

We appreciate this opportunity to comment on S. 251, the Agricultural Export Equity Act of 1983 and related legislation.

The agricultural export market is an outlet for two out of every five harvested acres. Twenty-five percent of farmer income is derived from agricultural exports. In 1982, U.S. producers harvested large surpluses of rice, wheat, soybeans, corn and cotton. The United States grew three times as much wheat, twice as many soybeans, rice and cotton, and half again as much corn as was utilized domestically.

Our ability to consistently export agricultural commodities in large quantities has allowed farmers to expand production, maximizing available production resources and minimizing unit costs, thereby achieving fair returns. This has resulted in U.S. consumers' spending one of the world's lowest percentages of disposable income on food.

The decade of the 1970's were go-go years for U.S. agricultural exports. Volume tripled and value grew more than five-fold, exceeding $40.0 billion. Export expansion seemed to be achieved with little effort. However, during the past two years, this period of sustained growth and expansion has experienced a sharp reversal. We have seen a dramatic decline in export levels and value. Export value has declined from $48.3 billion in fiscal year 1980 to about $39.0 billion in fiscal year 1982. In the absence of any comprehensive export stimulation program, we project further declines in export value for fiscal years 1983 and 1984 to $34.0 and $30.0 billion respectively. This would represent a decline exceeding 40% over a four-year period. During fiscal year 1982, wheat, rice, corn and soybeans accounted for the greatest part of the decline. For fiscal years 1983 and 1984 the problem expands with declines in export values for grains, cotton, fruits and vegetables, soybeans, and livestock products.

The decline in export volume and value is not as alarming as the loss of global market share. This has important long-term implications for the agricultural sector. The obvious implication is that this disastrous loss of market share will not be reversed merely by world economic recovery. The following table shows the projected percentage reduction of U.S. global market share for major commodities:

Commodity	1980	1984 (est.)
Coarse Grains	72%	58%
Wheat	43%	37%
Rice	23%	15%
Soybeans/Oil	38%	26%
Cotton	41%	28%
Poultry	16%	3%

There are six causes for the loss of U.S. market share:

1. Subsidized competition
2. U.S. and world recession
3. High interest rates and strong dollar
4. U.S. and world overproduction of crops
5. Decline in U.S. share of the USSR market
6. U.S. policy inflexibility to deal with oversupply situations

High levels of exports are vital to the U.S. rice industry.

Annually, more than two-thirds of our rice crop must be exported. Currently, we face the most disastrous marketing situation for the industry in more than a decade. As a result, all components of our industry are suffering. Export demand is down. Prices are low. Many of our farmers are in financial trouble. Both independent and cooperatively-owned mills have significantly reduced their processing schedules or simply closed altogether. The industry is operating at less than 60% of capacity. Our related service and support industries, ranging from fertilizer and chemical dealers to aerial applicators on the input side, to trucklines, container manufacturers and ports on the output side, are also suffering as a result of the current sharp decline in U.S. rice exports.

Simply stated, U.S. rice today is non-competitive in most export markets. For example, good quality Thai rice has been recently selling for $130 - $150 per metric ton less than comparable quality U.S. rice. Current world price levels are considerably below U.S. support prices and our farmers' costs of production. They are below the cost of production in many other countries as well.

Against a backdrop of hostile economic conditions our industry is forced to compete not only with low-priced foreign government agency sales but also against heavily subsidized rice from such sources as the EEC, Japan and Taiwan. In 1982, these three areas alone will dump with impunity about one and one-half million metric tons of rice into an already thin international market. This represents over 15% of the total quantity of rice traded annually in the international market. In addition, the competitive position of U.S. rice has been adversely affected by the increasing export sales of the governments of Pakistan, Burma, and Thailand. Effectively, these three countries account for over 40% of the world trade in rice. Their government agencies have policy flexibility to directly sell their rice into the export market at whatever price level is found necessary. It is impossible for U.S. rice to compete under these adverse circumstances.

The Administration is to be commended for its bold initiative and leadership in the announcement and timely implementation of the PIK acreage reduction program. While PIK temporarily provides additional income to farmers, it offers only half a loaf, only a partial solution to our problems. We expect that participation by all rice farmers will be high. However, PIK will only stop the buildup of stocks. It will not reduce surpluses.

During this period of supply reduction, the United States, in the absence of any comprehensive export stimulation program, will effectively walk away from export markets that it worked hard to develop, become a residual supplier, and provide a price umbrella over the international market, thus encouraging our competitors to expand production and market share. The U.S. share of world trade in rice is expected to decline from an average of 23% to only about 15%. In the meantime our foreign competitors have increased their traditional share of world trade during this period. This has shifted all the burden of surpluses and the consequent reduction of production to the United States.

Considering the situation our industry is now in, the export stimulation thrust of S. 251, when considered in the context of the PIK domestic program and economic recovery, is the kind of program urgently needed to help stabilize farm income, reduce surplus inventories, expand exports and minimize budgetary expenditures for deficiency payments and CCC commodity acquisitions. The rice industry's problems are almost altogether in the export market, not in the domestic area. Our need is to move more rice out of the country and to regain our traditional share of export markets.

The Secretary of Agriculture currently has the authority under the CCC Charter Act to implement a Payment-In-Kind (PIK) export program similar to the provisions of the legislation being considered. A PIK export program was implemented by Secretary Benson in 1958 during a similar period of commodity oversupply. The gap between

U.S. and world prices was bridged by using CCC stocks. USDA, at that time, maximized the CCC's assets to successfully export surplus inventories.

The PIK export program concept is simple in operation. It has been tried, tested and found successful in accomplishing its objectives. It costs nothing unless it is used. It costs nothing unless it is successful. It is transitory and terminates when CCC-owned surpluses are exhausted.

We recognize that a PIK export program is essentially an export payment program. We believe, however, that such a program is permissible under Article XVI of the GATT and the Subsidies Code negotiated during the Tokyo Round, since it will be used to maintain an equitable and traditional share of the world market. The objective of this program would be to recapture U.S. global market share which has been eroded by subsidized competition and predatory pricing policies of foreign governments.

Mr. Chairman, our industry realizes that further adjustments are needed in the level of U.S. rice production. As we have stated, voluntary participation in all of the Administration's current farm programs are expected to be at near maximum levels. Those actions will help somewhat. However, for the industry to cope with subsidized foreign competition and predatory pricing tactics we need an export oriented program such as the PIK export concept to serve as an interim measure that will restore our competitive position in the international marketplace. Acreage reduction and diversion and adjustments to loan and target prices, without an export stimulation program, will not resolve our industry's problems.

We commend the Committee's consideration of this problem and express our thanks for this opportunity to testify.

Statement of
Patrick B. Healy, Chief Executive Officer
National Milk Producers Federation

I am Patrick B. Healy, Chief Executive Officer of the National Milk Producers Federation. The Federation is a national farm commodity organization representing the dairy cooperative marketing associations and their dairy farmer member-owners across the country.

We appreciate this opportunity to comment on legislation that has major importance for all of American agriculture. The current problems faced by American farmers are rooted, at least in part, in the decline of export markets and in the failure of government to move aggressively to maintain or to expand export markets. In notable instances, this failure has come about in the face of specific Congressional directives calling for positive actions to expand export sales.

The number of bills before this Committee is testimony to the awareness of Members of this Committee and other Members of the Senate of the problems involved. While there are some differences of approach involved in the various proposals, all would have the effect of requiring actions that would address the seeming inability of the United States to remain competitive in international trade in agricultural products.

U.S. agricultural trade has been a source of national pride and profit. The U.S. has, without question, the most productive agriculture in the world. We accept as a fact the ability of the American farmer to maintain adequate production to meet domestic needs and provide an abundance to meet the demands of markets throughout the world. The contributions these exports have made to maintaining something resembling a reasonable balance of payments has weighed heavily in policy planning.

But despite the key role of agricultural exports in maintaining the basic well-being of American agriculture and their importance to the overall economy, there has been a lack in development and adherence to an overall U.S. trade policy.

Over the past decade, there have been limitations placed on exports of key farm products for a variety of reasons. The United States has consistently contented itself with participating in these markets under one set of rules while its competitors have followed greatly different rules. The result is predictable.

Mr. Chairman, the National Milk Producers Federation fully endorses the proposals contained in S. 251 which would require the sale of specific quantities of dairy products in international trade over the next three years. Further, the export payment-in-kind proposals contained in several of the bills before the Committee offer an opportunity to utilize commodities held by the Commodity Credit Corporation to expand export sales while having little, if any, budgetary impact. The concept offered by Senator Boschwitz in S. 100 provides the basis for an ongoing policy aimed at overcoming a long term problem faced by the United States. It would help to overcome the situation under which the United States has effectively maintained the major portion of the world's stockpiles of agricultural commodities while surrendering markets to other exporting nations.

The directive that dairy products be sold in export markets is necessary. The Congress has been seeking such action for some time. As part of the Agriculture and Food Act of 1981, this Committee included provisions authored by Senator John Melcher directing that the Secretary of Agriculture use existing authorities to make sales of CCC held dairy products in international markets. This directive was conditioned by the term "... to the fullest extent practicable." To date, it apparently has not been practicable as nothing has been done to meet this directive.

In the closing days of the last Congress, the Senate approved the resolution offered by Senator Boschwitz urging that action be taken to move government held dairy products into foreign trade. Again, there has been no move to meet this clear intent of the Senate.

The Federation has been seeking to convince administration policy makers to embark on such a course for some time. While there is an apparent willingness to do so within the U.S. Department of Agriculture, objections by the Department of State and the Office of Special Trade Representative have precluded any such action.

We are told that such actions would represent a violation of international agreements. We are told that this would mean subsidization of exports which is against U.S. policy. We are told there are no marketing opportunities available. We are told that such moves would be upsetting to our "trading partners." We are told that this would result in added government costs which must be avoided.

These are excuses, not reasons for inaction.

The United States has not been a consistent factor in the international market for dairy products. This is not because the product is not available or cannot be produced to meet the needs of this market. The U.S. dairy industry is the largest in the free world. If international markets were free and open, it is probable that the U.S. would have a major role in this trade. But we have not adopted the policies or the operating techniques used in the international market. Prices in the world market for dairy products are not determined by domestic prices for dairy products. They are determined by the export subsidy programs of major exporting nations or groups of nations--primarily the European Community.

The Federation does not propose, nor do Members of this Committee suggest, that the United States should enter into this market for the purpose of breaking world market price levels. But actions should be, must be, taken which would make it possible for the U.S. to sell in this market.

Last May, the European Community announced its milk pricing policy for the current marketing year. It established a milk target price of $12.81 per hundredweight to be implemented by intervention purchases of butter and nonfat dry milk at $1.667 per pound and 69.6 cents per pound respectively. On its face, it would appear that the EC is maintaining a milk price support level below that of the United States.

This comes about, however, solely because of the appreciation of the dollar in relation to the ECU, the composite currency unit used to express valuation under the EC's Common Agricultural Policy. The fact is that milk prices to EC producers have steadily increased in the past three years. For the 1980-81 marketing year, the milk target was set at 22.26 ECU's per 100 kg. In 1981-82 it was increased to 24.26 ECU per 100 kg. It currently stands at 26.81 ECU per 100 kg.

At the same time as the announcement of the target and intervention prices was made, export subsidy levels were announced. The following subsidy levels were to be effective on May 29:

Nonfat dry milk	23 cents per pound
Dry whole milk	39 cents per pound
Butter	62 cents per pound
Butteroil	92 cents per pound
Cheese	5 to 52 cents per pound depending on type and destination

These subsidy levels are revised periodically depending on market conditions, currency values and other factors. The overriding question in establishing export subsidy levels is what is necessary to move products into available markets.

But when it is suggested that the United States utilize a system that might be similar to this, we are told that it would be a violation of international agreements. The International Dairy Arrangement and the Subsidies Code negotiated as part of the Tokyo Round of multilateral trade negotiations are cited as the agreements which might be violated. The Dairy Arrangement does set some minimum price levels which signatories agree not to violate. There has been no suggestion that these minimum levels be violated.

U.S. trade negotiators told this Committee and others in the Congress that the subsidies code would establish rules for the use of export subsidies in agricultural trade. The Federation was virtually alone in rejecting that explanation, arguing that the code did, in fact, legitimize export subsidies rather than limit them. We still maintain that this is the case. It certainly is the view of the European Community. Speaking before a group of U.S. businessmen in Chicago last September, Gaston Thorn, President of the EC Commission clearly and concisely stated the EC view of the subsidy code.

> "Your authorities say that agricultural subsidies are bad and must be removed; we say that this is not what the international trading rules provide. . .The Tokyo Round in 1979 confirmed and elaborated a long standing rule that agricultural subsidies are permitted provided that these did not lead to any member of the GATT obtaining more than an equitable share of world trade."

There has been much talk about a "trade war" between the United States and the European Community. It must be noted that most of this arises from the EC. The Federation has had some experience with a "trade war," specifically what the EC termed the "cheese war" in 1975.

In early 1975, the EC sought a waiver of collection of countervailing duties on cheese shipped to the United States. Some months earlier, the Federation, through court action, had obtained an agreement with the Department of Treasury that countervailing duties would be collected on dairy products imported from the EC with the aid of export subsidies. Changes in the countervailing duty statute through the Trade Act of 1974 did provide authority to waive the collection under certain circumstances. The Federation objected to the granting of the waiver on the grounds proposed and thus began a long, involved series of negotiations between this country and the Community.

During this period, the EC talked of a "trade war," a "cheese war." Threats were made of retaliation against soybeans and other U.S. exports. But because the Federation was in a position to hold firm and insist that the United States enforce its trade laws in an equitable manner, a satisfactory solution was worked out.

To our knowledge, this was the first and probably the only time that the United States has held firm in its dealings with the EC. That firmness paid dividends in later negotiations, however. U.S. trade negotiators privately admitted that their dealings with Community representatives were made easier by the fact that the United States had, at last, held firm and insisted on its position.

There can be no true negotiation if one party consistently yields. That has, unfortunately, been the history of our trade bargaining.

As to the argument that there are few, if any, marketing opportunities available, we can only judge from the interest expressed to us and to member cooperative marketing associations of the Federation. Last week alone, we received inquiries from two firms engaged in international trade in dairy products seeking information on product availability. These were serious inquiries backed by marketing expertise, ready markets and the necessary funding to conclude a transaction.

We are aware that specific offers have been made to the U.S. Department of Agriculture that have not even received a formal acknowledgement. There are no available opportunities if the policies which would make them possible are not adopted. It is not so much a question of market availability but of the will to take advantage of available markets.

Certainly, such market offerings from the United States would be upsetting to other nations in the market. It is difficult for the United States dairy farmer to understand the need to maintain a market for over 2.5 billion pounds of foreign milk in this country in addition to ever-expanding quantities of milk protein, including casein. Casein imports last year ran to a record in excess of 160 million pounds despite assurances from exporters that the levels would be declining.

While this is going on, the U.S. dairy farmer is faced with demands for reduced domestic production. We are aware of the need for such action. The single greatest effort within the Federation in recent months has been the development of a program that would serve to reduce milk production in this country thereby reducing the cost of the Dairy Price Support Program. But while we are taking actions which will force a reduction in production here, we are also maintaining a relatively open market for dairy products from abroad. Despite the objections of exporting over the import restraints imposed on dairy products under Section 22 of the Agricultural Adjustment Act, the fact is that the United States maintains the most open market for dairy products of any major dairy producing nation.

Export sales of dairy products would actually serve to reduce government costs. If such sales involved products now held by the Commodity Credit Corporation, the receipts would be a net gain by CCC against the money already laid out for purchase of the product. That money has already been spent. Any return realized is a net gain and would go toward reducing the overall cost of the Dairy Price Support Program. The same would be true of the use of dairy products in an export payment-in-kind program.

The broadened authority to use commodities in addition to dairy products for donation under Section 416 of the Agricultural Act of 1949 is sound. There is substantial opportunity for improved nutrition around the world under such a program which should be seized upon both as a humanitarian move by the United States and as a policy initiative.

There is need, however, to see that the fullest possible use is made of this authority. When the Section 416 provisions regarding dairy products were made a part of the Omnibus Budget Reconciliation Act of 1982, the administration supported the effort. The Secretary of Agriculture has announced the availability of these products to voluntary, nonprofit organizations and nations needing these foods to relieve hunger and malnutrition. There have been delays in implementing such programs, however. Much of this has been due, we understand, to concerns raised by the Department of State and others. Again, it appears that the United States approaches these efforts with divided intent and the lack of a clear policy.

Authority for expanded use of Commodity Credit Corporation held commodities under Titles I and III of the Public Law 480 presents further opportunity for beneficial use of these products to assist development of markets for U.S. products around the world.

The concepts embodied in S. 100 introduced by Senator Boschwitz offer a means of addressing not only the short term problems confronted but provide a basis for longer term policy aimed at preventing the U.S. being used as the holder of world stocks of agricultural commodities.

In total, Mr. Chairman, the proposals before the Committee represent a unique opportunity for the Congress to address the need for a coherent agricultural trade policy. It is something we lack at present. It is a void the Congress must move to fill.

One issue which does not bear directly on these hearings, Mr. Chairman, must be raised. In past trade negotiations, the United States has often appeared to trade off domestic policy positions in the hope for gain in the international market. For the most part, such gains have not materialized.

Late last year, attention was focused on the ministerial meeting of the General Agreement on Tariffs and Trade. One of the few specifics coming out of that meeting was an agreement between the United States and the European Community to hold a series of negotiations on agricultural trade issues arising between the two parties. What appears to be the final session of these meetings was held earlier this month in Brussels. While most reports have stated that nothing was resolved, there is reason for alarm on the part of the dairy industry if the report carried in the February 14, 1983 issue of the Journal of Commerce is correct. That report, bylined by H. Peter Dreyer, stated:

> "There is no doubt, says a senior U.S. official who participated both in the first round of U.S.-EC negotiations on agricultural problems held in Washington in January and that which took place here last week, that the dairy products situation is at the center of the current difficulties. It's a situation where both sides must be anxious to arrive at a solution eventually, considering the frightening cost of the support programs they are both saddled with.
>
> "The official, who did not wish to be identified, said that the U.S. side would submit a two-track programs. This would consist of (1) the phasing out of the support programs over a number of years and (2) the joint disposal by the United States, the EC and presumably New Zealand of the by now accumulated huge dairy product stocks."

Is this the administration's position regarding the Dairy Price Support Program? The Secretary of Agriculture and others at USDA have repeatedly urged the dairy industry to work with them to develop changes in the price support program. The Federation has accepted this invitation in good faith and has been acting upon it. Are we to have the administration's position on the Dairy Price Support Program presented as an accomplished fact growing out of international trade agreements?

We appreciate this opportunity and look forward to working with the Committee as it moves to develop legislation for consideration by the Senate.

STATEMENT OF EDWARD J. FARRELL, REPRESENTING THE NEW ZEALAND DAIRY BOARD

Mr. Chairman, members of the Committee, I am Edward J. Farrell, of the law firm of Bronz & Farrell. I appreciate the opportunity to appear here today on behalf of the New Zealand Dairy Board to comment on the various proposals before the Committee which recommend, or indeed mandate, the subsidized export of US dairy surpluses.

The New Zealand Dairy Board is the central co-operative body of New Zealand dairying, an industry vital to the New Zealand economy. Since dairying was first established, New Zealand's dairy farmers - through manufacturing co-operatives - have owned the dairy processing plants, and today, through the medium of the Dairy Board, manage the export marketing of all their products. The Board, which has eleven directors elected by the co-operative dairy companies, two appointed by government, and one by the fluid milk industry, buys and sells the export production of the dairy co-operatives.

More than any other country in the world, New Zealand relies upon the continuing export of these and other livestock products to finance its way in international trade. Last year, for example, almost seventy percent of export earnings came from animal livestock products, of which twenty percent (about NZ$1.3 billion) was generated by dairy product exports alone. By way of comparison, the United States earns less than twenty percent of its foreign exchange from all agricultural exports combined, including grains.Dairying is clearly a major source of foreign exchange for the New Zealand economy and has been for many years.

In New Zealand, only 10% of the milk produced is consumed as liquid milk. Thus 90% of the nearly 15 billion pounds of milk produced in 1981 was used in the manufacture of dairy products, approximately 85% of which were exported. By contrast only about 5 percent of world milk production is traded internationally. The great majority of dairy industries in Europe and North America produce primarily for their own markets and export only those surpluses generated by high internal prices. Such exports are possible only with the help of government subsidies, while New Zealand's large proportion of exports to total production requires that it compete without the use of export subsidies. Thus, the New Zealand dairy farmer, whose co-operatives process 98% of annual milk production, is principally dependent on returns from export markets. New Zealand has utilized every available production economy to maximize the net of those returns.

One of the major comparative advantages the New Zealand Dairy Industry has is a mild, moist climate. This ideal dairying climate, coupled with favorable topography, provides excellent pasture growth and allows New Zealand milk herds to be run without the winter housing needed in Europe and North America. It also means that herds can be fed year-round by grazing pasture, which is not only less expensive than grain feeding but less labor intensive as well.

Large farms and economies of scale also keep costs low. The average dairy farm in New Zealand is, by world standards, large: 131 cows on 164 acres. It is, however, typically owned and operated as a family unit and run on average by one and a half people. Generally the herd size must exceed 200 cows before it is economic to hire the first full-time worker. To achieve such a high labor productivity, dairy farmers in New Zealand need to invest heavily in mechanization, and have developed unique farm management systems. Today virtually all cows are milked in modern herring-bone or rotary milking sheds that maximize labor productivity.

In addition, significant economies of scale are achieved in dairy manufacturing, as the average output of New Zealand dairy plants is the highest in the world. Ninety-nine percent of the milk in New Zealand is collected by road tankers from intensive milk-producing areas which has allowed the dairy co-operative companies to build large, mechanized multi-product plants in strategically placed locations. Such plants utilize nearly all of the components of milk, keep overhead costs low, and provide the New Zealand Dairy Industry with the manufacturing flexibility to respond rapidly to the changing needs of international markets. Throughout the 1980s, in order to respond to customer requirements in export markets and to maintain efficiency and flexibility, the New Zealand Dairy Industry plans a continuing investment of around $100 million per annum in new processing plants and equipment.

Between 1890 and 1950, the development of the New Zealand Dairy Industry was based mainly on the production of butter and cheese for the United Kingdom market, but since 1950 dairy production in New Zealand has developed into a sophisticated export industry, heavily expanding the range of dairy products for export in conjunction with market diversification and increased involvement in overseas marketing. Currently New Zealand supplies a wide range of products to over 100 different countries serviced by 27 overseas offices or affiliates.

The viability of the New Zealand Dairy Industry is totally dependent upon its ability to continue to export each year over 80 percent of its production of dairy products to serve this small and delicately balanced international market. Because of this dependence the New Zealand Dairy Industry constantly monitors trends in the international dairy trade and related activities which could cause instability in the market. Certainly any attempt by the United States to dispose of its current price support generated surpluses by subsidizing their export,as contemplated by several legislative proposals before this Committee,would be a devastating blow to the international market.

The Board is particularly concerned that the Committee be aware of the impact these proposals would have if enacted and have a clear perspective of the scope of the "international" trade in dairy products. To that end I have appended to my statement a pie chart, which we hope is illustrative of the relationship between total world dairy production and commercially available markets, and of the vulnerability of New Zealand's position in those commercial markets.

As we mentioned earlier only about 5 percent of total milk production is sold outside the country in which it is produced. Thus about 95% is consumed domestically, with the largest dairy markets in the world being those of the European Community, the Soviet Union, and the US. Between them they produce and consume more than half of the world's milk.

Of the 5% of "world" markets that are "international", about half are governed by access restrictions in the form of quotas and other Government trade barriers; so that the international markets which are open to commercial competition amount to only about 2% - 3% of total world dairy consumption. Thus it is that New Zealand,which is not a large producer in world terms but whose production is aimed at these accessible commercial markets, becomes the major factor in supplying them. In turn these markets provide the livelihood of New Zealand dairy producers and as they are so small they are extremely sensitive to the activities of surplus producing countries who can compete only with the assistance of Government export subsidies. This is perhaps best appreciated by looking at the international trade in the dairy commodities held by the CCC, relative to those CCC stocks.

For example, in 1980 world butter production was 6,550,000 tonnes a year. Of this, 5,930,000 tonnes were consumed within the producing countries, with an additional 418,000 tonnes imported under quotas or other Government restrictions. Only 202,000 tonnes of business was in the form of exports to markets which are not subject to official restrictions. CCC support stocks earlier this week were 427 million pounds, that is approximately 195,000 tonnes, or nearly one year's total "non-quota" international trade. (See Table I - Butter Worksheet).

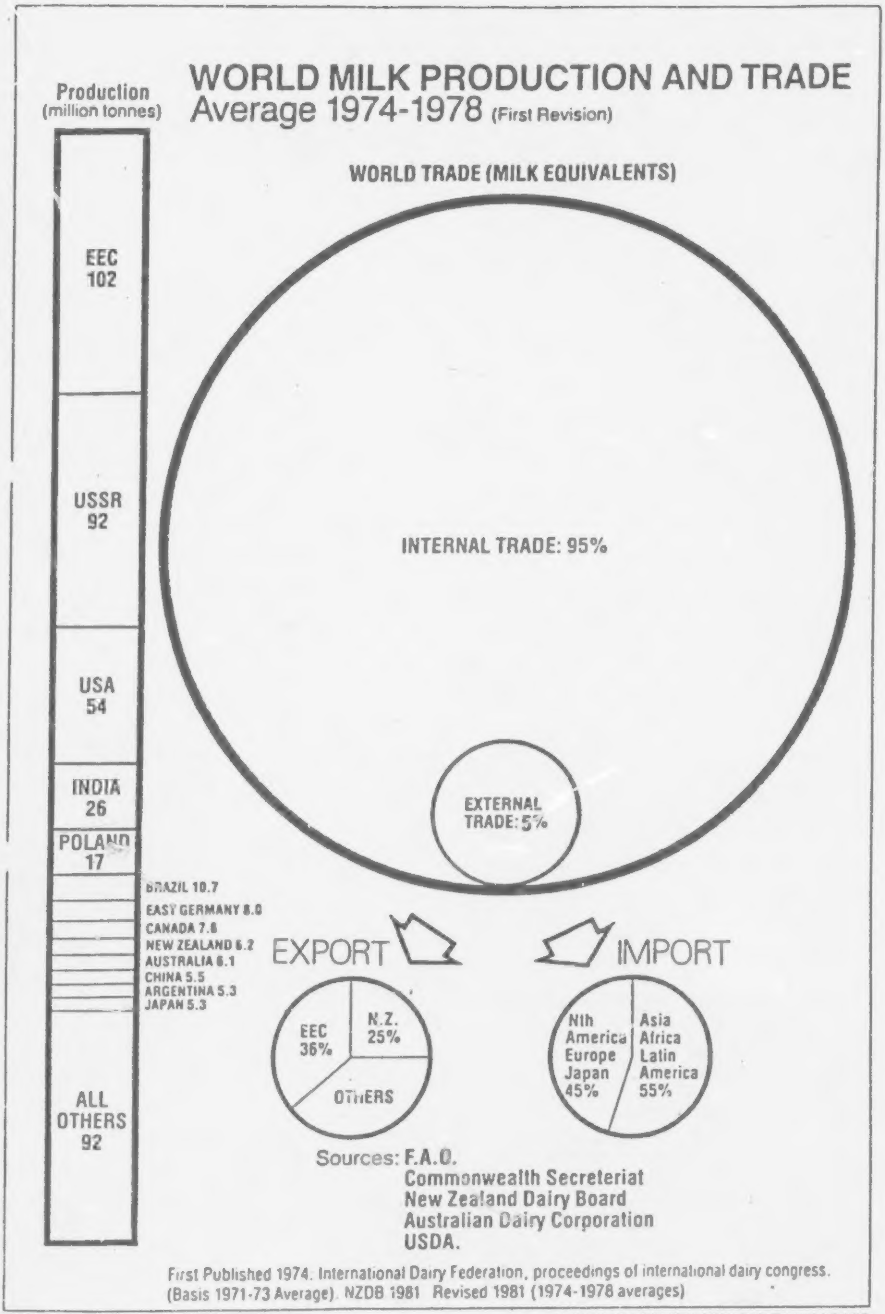
Likewise, cheese production worldwide was 11,600,000 tonnes, in 1980 of which 10,900,000 tonnes were consumed in the producing countries along with 230,000 tonnes imported under restrictive quotas such as those in the US and EEC. Cheese exports to relatively "open" markets were just about 470,000 tonnes a year, but this comprised soft cheese, processed cheese, semi-hard cheese and hard cheese other than cheddar, as well as cheddar. The residual market for cheddar cheese was about 55,000 tonnes, most of which was supplied by New Zealand and Australia. Current U.S. Government stocks of cheddar are 746 million pounds, that is approximately 340,000 tonnes or enough in theory to displace all other cheddar exporting countries for over six years. (See Table II - Cheese Worksheet).

Non-fat dry milk (NFDM) is the other major product of significance. World production ran at about 4,340,000 tonnes in 1980, with domestic consumption of about 3,130,000 tonnes, plus 30,000 tonnes of restricted imports, for a total of close to 3,160,000 tonnes. In addition about 200,000 tonnes went for food aid after the normal inter-Governmental consultations to ensure that the donations posed no threat to commercial markets. About 110,000 tonnes were sold in 1980 for animal feed purposes at especially low prices; and 730,000 tonnes went for use in milk recombining industries. In the recombining trade the plants (mostly in developing countries) must be assured of continuity of supply and the continuing technological back-up from specialists in the field. This then is a specialized area of trade that could not be adequately supplied by the disposal of surplus product. The remaining commercial exports of approximately 140,000 tonnes compare with current CCC stocks of 1.3 billion pounds or nearly 600,000 tonnes. (See Table III-NFDM Worksheet)

It seems patently clear that there is simply not the market internationally to even come close to absorbing US surpluses for years to come, and while we realize that the various bills before you do not contemplate the immediate disposal of the entire surplus, the amounts envisioned are so large with respect to the available market, that it could only mean the total collapse of the market. New Zealand has neither alternative markets, nor the resources to hold more than normal commercial stocks. It cannot therefore yield trade, even under the pressure of competing subsidization by Governments abroad. Under such conditions prices would rapidly fall to the GATT minima, and even these could come under pressure. To trade at these prices, if it were possible, would cost the US Government the difference between the support prices and the GATT minima, or about $1.00 per pound for butter and cheese and $.70 for NFDM.

For New Zealand, such an outcome would be a disaster. A collapse of prices to the GATT minimum would cost New Zealand dairy producers close to one-third of their gross income, and after meeting their farming costs, their net incomes would be ruinous. Furthermore, with the significance of the dairy industry to the New Zealand economy as a whole, the loss of dairying to New Zealand would be, proportionately, as if the USA lost EXXON, General Motors and American Telephone & Telegraph combined.

For many years now the United States and New Zealand have worked towards a common goal in the elimination of export subsidies on agricultural products, and the Board shares the concern expressed before this Committee with the continuing role of subsidization in international agricultural trade. However, the Board is now equally concerned that the legislation before you threatens that the United States will begin subsidizing dairy exports even after having stopped doing so some years ago. Both the US and the EEC must find other solutions to the imbalance their support programs have created in their domestic markets. The various export proposals before this Committee are, in fact, no solution at all. International markets will not simply expand if the US decides it will export its surpluses, and current suppliers to those markets cannot yield. The cost of the chaos thus created would be borne by existing suppliers and the United States would be left with its problem substantially unsolved, earning only the ill will of its traditional trading parties and the prospect of retaliation in other trades.



WORLD MILK PRODUCTION AND TRADE
Average 1974-1978 (First Revision)

Sources: F.A.O.
Commonwealth Secreteriat
New Zealand Dairy Board
Australian Dairy Corporation
USDA.

First Published 1974. International Dairy Federation, proceedings of international dairy congress. (Basis 1971-73 Average). NZDB 1981 Revised 1981 (1974-1978 averages)

PREPARED BY NEW ZEALAND DAIRY BOARD

TABLE I - BUTTER WORKSHEET 1980 ('000 tonnes)

Total World Butter Production		6550
Less: Consumption in producing countries	5930	
Restricted imports:		
USSR/Eastern Europe	277	
EEC	112	
Western Europe	27	
Japan/USA	2	
		6348
Accessible market exports		202

Source: NZDB, compiled from official statistics

TABLE II - CHEESE WORKSHEET 1980 ('000 tonnes)

Total World Cheese Production		11,611
Less: Consumption in producing countries	10,913	
Restricted imports:		
EEC	102	
Canada	20	
USA	109	
Accessible Market exports of other cheeses:		
Soft cheese	172	
Processed Cheese	122	
Hard and Semi hard, other than cheddar	118	
		11,556
Accessible Market Exports of Cheddar		55

Source: NZDB, compiled from official statistics

TABLE III - NFDM WORKSHEET 1980
('000 tonnes)

Total World NFDM Production		4343
Less: Consumption in Producing Countries	3136	
Restricted Imports:		
EEC	5	
USSR/Eastern Europe	4	
USA	1	
Japan	22	
Food Aid Exports	196	
Animal Feed Exports	110	
Milk Recombining Exports	728	
		4202
Accessible market exports for human consumption		141

Source: NZDB, compiled from
official statistics

STATEMENT OF GEORGE ATKINSON, ADMINISTRATIVE ASSISTANT TO THE GENERAL MANAGER, ASSOCIATED MILK PRODUCERS, INC.

My name is George Atkinson. I am Administrative Assistant to the General Manager of Associated Milk Producers, Inc. AMPI is a milk marketing cooperative, owned and operated by 32,000 dairy farm families in 20 states from Wisconsin to Texas and from Colorado to Western Kentucky.

A major portion of my career has been involved in marketing domestic dairy products produced and sold here in the United States. I have had an opportunity to observe the EC dairy programs first hand during my trips to Europe and have experienced competition from imported dairy products here in the United States.

During the 50's and 60's I was personally involved on behalf of my employer, a milk manufacturing and marketing cooperative, in supplying dairy products in world markets. These exports were developed under government programs in which we sold customized butter and nonfat dry milk meeting the specifications of our customers overseas and received CCC stocks in exchange. In many instances, our products need to be modified to meet consumer acceptance in other countries. For example, European consumers demand unsalted, 82.5 percent fat butter, made with a natural starter, developing different flavor characteristics than the commonly available salted, 80 percent fat, and uncultured U.S. domestic butter.

These exchange programs have been successful in the past and American dairy production facilities as well as marketing expertise can manufacture products suitable for worldwide specific markets.

The dairy stablization program authorized by Congress and administered by the United States Department of Agriculture is designed to provide an adequate supply of milk for domestic consumption. The Agricultural Act of 1949 established the milk price support program which has been successful in its objective of maintaining an adequate milk supply and has been in the public interest, in that consumers have received milk at a reasonable price while surviving producers have increased efficiency many-fold. Production efficiencies have been liberally passed along to consumers, so that milk product prices have increased substantially less than the prices of either all foods or all items in the consumer price index.

In the last two or three years large stocks of dairy products have been in CCC's possession due to excessive production beyond the needs of domestic consumption. The increased production and stocks have been caused, not by high support prices, but by the failure of other agricultural enterprises to generate enough income to maintain their producers' cash flow and operations. Also, the depressed economy with increased unemployment has caused shifts to milk production. Increased imports have also added to the problem.

I served as a dairy representative on the Agricultural Policy Advisory Committee during the Multilateral Trade Negotiations established by the Trade Act of 1974.

The Multilateral Trade Negotiations, much to the objection of the dairy industry, resulted in increased quotas for subsidized dairy products to enter U.S. markets. These concessions were made by the U.S. Trade negotiators in hopes that the U.S. could in turn receive concessions for both agricultural and non-agricultural exports from the United States to the EC and other countries. These assumptions proved to be erroneous and only token concessions were made by other members of the GATT. In essence, the U.S. dairy industry was made the sacrificial lamb in these agreements.

The dairy industry has repeatedly attempted to limit milk protein entering the United States in the form of casein. Imported casein has displaced domestic casein production in the U.S. The International Trade Commission, at the request of the dairy industry, has held two hearings on proposed Section 22 quotas for casein. Each time the ITC has ruled that casein -- milk protein -- can continue to come into the U.S. without quota. At the most recent hearing the importers of casein indicated that quantities were not increasing. However, during the year 1982, casein imports increased by 25 million pounds to a total of 155 million pounds and all indications are that these increases will continue. The skim milk equivalent of this importation is 4.5 billion pounds and U.S.D.A. in its own study indicated that these importations increased the costs of the dairy price support program through increased CCC purchases of nonfat dry milk by $300 million. The commission and U.S.D.A. chose to ignore the much larger impact of casein-based imitation cheese on domestic markets and on the costs of the milk price support program.

Also, the Multilateral Trade Negotiations resulted in addition a "Proof of Injury" clause, which is required before imposing countervailing duties on imported dairy products. Injured parties are required to prove that importers are undercutting domestic prices. This ignores the price depressing effect of the market-presence of such subsidized products, even if offered at the domestic price. As a result of increased production and the above mentioned concessions, substantial stocks of dairy products now exist. The costs of carrying these large inventories are burdensome on the U.S. Treasury and ultimately the taxpayers. Storage and interest costs accumulates as products remain in storage. Possible deterioration of products because of age also becomes a prime consideration.

We wholeheartedly support the Agricultural Export Equity Act of 1983 as introduced by Chairman Helms and the other sponsors. It is evident that it is necessary for Congress to mandate U.S.D.A. to initiate the sale and disposition of dairy product stocks in overseas markets either by the authority granted within this Act or the authority that already exists and has not been utilized.

The sale of dairy products into world markets would provide revenue to the U.S. Treasury and is an important part of the proposed Act. Half of these funds must be used for market promotion and enhancement in countries with potential for increased purchases of U.S. agricultural products. This is an excellent provision and one we applaud.

There has been concern within the Department of Agriculture and State Department that U.S. export sales of dairy products at prices below domestic price levels would be a violation of the trade agreement. We are of the opinion that the International Dairy arrangement negotiated as part of the Multilaterial Trade Negotiations established the minimum price levels for certain basic manufactured dairy products. These prices are at very low levels and effective management of such a program by the U.S. Department of Agriculture will prevent any interference with these minimum prices.

The subsidies code adopted as a part of the MTN established certain rules for the use of export subsidies in agricultural trade. The code did not bar the use of export assistant programs. In fact, the European community expresses the view that the subsidies code represents endorsement of assistance programs and has adopted a policy of aggressive use of the subsidy to maintain and expand markets for agricultural commodities.

World dairy prices are not established by supply and demand but by the amount of subsidy the EC determines appropriate and necessary in their export marketing programs. It is therefore necessary that New Zealand, which claims no direct export subsidy, must necessarily sell products at the world price levels established by the EC.

Each time the milk price support level is established in the European Community, changes in their export subsidy must be established.

There is not an unlimited international market for dairy products but opportunities do exist. The Soviet Union has become a major importer of dairy products along with other countries behind the iron curtain. Opportunities exist in Africa as well. Inquiries are received frequently by our firm and other dairy producers and distributors within the United States asking for quotations for specific types and kinds of dairy products for export to the Middle East, to the European Community and to other areas throughout the world. We have received firm offers from commercial traders for specific quantities, and have presented them to U.S.D.A. without success. We also understand that U.S.D.A. has received other specific offers at world prices for dairy products in CCC stocks.

We believe that under existing authorities and authorities provided by the proposed Act, U.S.D.A. would and could conduct a program of export sales through commercial channels that would not undercut markets and would allow the U.S. Government to realize a return on the investment in dairy products by the Commodity Credit Corporation. CCC would have the opportunity to control pricing under the program by its acceptance or rejection of specific offers on the basis of price. Such a program has, in fact, been conducted by U.S.D.A. in the past. Government stocks could be exchanged with U.S. companies such as AMPI for products that meet the specifications of buyers and traders throughout the world.

It would certainly not be a recommended initiative to use export sales of dairy products to disrupt normal trade channels or as retalitory action to impress the EC that their unfair trade policies must be altered. Such sales could establish a sound export program based upon the merits of each individual transaction. We believe the current stop and go, with little go, has promoted uncertainty in world markets, caused confusion among world traders and promoted unfounded rumors. It has certainly resulted in much higher net costs of operating the milk price support program.

Substantial need is evident for improved nutrition in most of the under-developed countries. Starvation is prevalent in some of the African countries particularly. The provisions of the Act that would establish criteria for donations of dairy products to nations in need are an important part of the Act, and we support them wholeheartedly.

We commend the vision and initiative of Chairman Helms and the other sponsoring senators in their efforts to:

1. Reduce current dairy stocks.
2. Provide additional revenues for the Treasury.
3. Promote a solid basis for future market enhancement.

It is our sincere hope that this Committee, Congress and the President will approve this Act and that it will move expeditiously through legislative and administrative channels.

STATEMENT OF KELLY HARRISON, EXECUTIVE VICE PRESIDENT, JACK ZWICK ASSOCIATES, INC., AND VICE CHAIRMAN, BOARD OF DIRECTORS, ASAC INTERNATIONAL, AMERICAN SOCIETY OF AGRICULTURAL CONSULTANTS

I am Kelly M. Harrison, Executive Vice President, Jack Zwick Associates, Inc., a consulting firm specializing in international agribusiness trade and finance. I am also Vice Chairman of the Board of Governors for ASAC International, a division of the American Society of Agricultural Consultants, on whose behalf I am appearing today.

The Society includes in its membership an excellent cross section of independent professional agricultural consultants and consulting firms whose counsel to decision makers has proven so important to the successful progress of our nation's achievements in food production and marketing.

Not only have our members established a record of improving bottom line performance here at home, but increasingly in recent years their services are in strong demand abroad. Last year, for example, a survey of our members revealed they had been on 127 assignments during the preceding 12 months, that took them to a total of 54 different countries. You might be surprised to learn who the clients were who employed them for these assignments. Some 6 percent of their clients were agencies of the U.S. government, 20 percent were foreign governments, 20 percent of their clients were U.S. agribusiness firms, and 54 percent were foreign agribusiness firms.

These overseas assignments took U.S. agricultural consultants to countries throughout the world. They included 8 countries in the Middle East, 14 in Africa, 7 in the Far East, 7 in North America, 2 in the Caribbean, 8 in South America, 6 in Europe and 2 in the South Pacific.

Consequently, we submit the U.S. professional agricultural consultant has become an important, if not our best bridge, to agribusiness decision makers abroad. Not only are they "where the action is," they are in the vanguard of efforts to upgrade food and fiber production and marketing efforts in many, many countries.

Some claim this is cause for apprehension, arguing that helping other countries improve their food supply reduces the need for agricultural imports from the United States. I am sure they can cite examples to document this point of view. But, I would like to suggest they take just a few minutes to look at the other side of the coin.

For example, modern irrigation systems are influencing food production around the world, and last year alone they brought water to an additional 2.5 million acres of land. These systems ranged from small projects of less than 200 acres, to very large projects of thousands of acres. The cost of irrigation equipment alone was about $500 per acre. Tractors and other farm equipment for these irrigated acres cost an additional $750 per acre, and the cost of professional services for project development and design was about $50 per acre. In addition, larger markets were created for seeds, pesticides, and many other items.

Although it may come as a surprise to you, our best information indicates the U.S. has only about a one-third share of the vast global market for equipment and supplies required by these modern irrigation systems. Even so, we have a tremendous stake in at least maintaining our present market share. It amounts to annual exports of $400 million worth of irrigation equipment, and $600 million in tractors and other farm equipment.

But, all too often governments of other countries now offer subsidies for feasibility studies. If such subsidies result in the feasibility study going to an European consulting firm, for example, it's a safe bet European equipment and supplies will be specified, and it becomes very difficult, if not impossible, for the U.S. to get a fair share of the business.

Without question, the export of U.S. irrigation services opens the way to major exports of irrigation equipment, and when U.S. services and equipment are involved this means more jobs to strengthen our economy here at home. And you would agree, I'm sure, that a stronger economy would help the American farmer.

But, let's turn our attention to the export of a food system that brings more direct benefits to U.S. farmers. Readers Digest has referred to it as the modern miracle of food production. It originated in the United States, and is therefore as American as apple pie. I am referring, of course, to the U.S. system of broiler production. Over the years, as it spread to countries of the industrial world, it became a major factor in increasing demand for U.S. corn and soybeans, the star performers for U.S. farm exports. And we saw emerge a global food economy in which our country had the leading role.

In the meantime, some significant changes became realities. We have already lost a large part of our export market not only for chicken, but also for chicken equipment and other supplies. And now it seems Europeans are also doing a better job than we are of selling this American system to the Developing World.

Many reasons could be cited as to why this is true. But a starting point for the solution would be for our government to enable U.S. consultants to compete on an equal basis for feasibility studies. Not only would this strengthen our position for exporting equipment, animal health supplies, etc., but new systems for converting feed grain and soybeans into animal protein would be a tremendous boost to sagging exports of these crops.

In recent months, 17 major new poultry projects have been reported in the Middle East, and 15 have been reported in Africa. Investments in these 32 new projects will range in size from $1 million to $115 million. The total investment has been conservatively estimated at $368 million. European, but not American interests, have been involved in the development of several.

Remember, that 3 million birds are produced annually in a typical broiler project in a Developing Country. These birds consume 19.2 million pounds of corn, and 6.6 million pounds of soybeans. Many of these projects are located in countries where land resources are inadequate for producing the corn and soybeans needed, so it therefore becomes necessary for them to import a large part of the needed ingredients.

Developing nations need and want modern systems of food production. If we don't help provide them, our competitors in other nations will. A multi-billion dollar export opportunity is available to us now, but it is perishable so we need to step up our efforts promptly.

In the ASAC survey mentioned earlier, we discovered the potential annual value of U.S. exports for the projects involved came to $8,425,000 per consultant.

As you evaluate this phenomenal amount, two points merit your serious consideration. First, the world-wide economic recession is accelerating the need for greater efficiency in food production and marketing, and this need for better bottom line performance is bringing about modern, capital intensive systems even in the Developing Countries.

This rapidly changing agricultural environment abroad leads me to the second point...the linkage between the export of the services of professional agricultural consultants and export of commodities, manufactured products, and other services.

Not only is there a close link between product exports and services of the professional agricultural consultants, but the magnitude of the link is already far-reaching for the United States. In the ASAC survey mentioned, participants were involved in projects having a potential value of over $500 million annually in U.S. exports. Realizing the export of consulting services breaks ground in foreign markets for later exports of commodities, manufactured products and other services, it is safe to assume each dollar spent on exporting consulting services generates many, many additional dollars of subsequent exports of other items. This is recognized by our foreign competitors, and that is why our attention increasingly is being called to subsidies they are paying to export their own professional services.

Therefore, we endorse the objective of legislation to not only curtail the use of subsidies in trade, but recommend it be broadened to include services of professional agricultural consultants as well. We also recommend the objective to expand the export of agricultural commodities and products be broadened to include expanding the export of professional services of agricultural consultants.

Unless such a recommendation is adopted, we are concerned that other countries, by subsidizing their own consultants, will further magnify difficulties for exporting both U.S. consulting services and products.

All would agree that the establishment of modern food systems abroad opens up new markets for irrigation equipment, farm machinery, feed mills, incubators, processing equipment, etc., including new markets for many services, in addition to those available from professional agricultural consultants.

These systems materialize in two ways...either through an evolutionary process that results when improvements are made one step at a time, or on a turn-key basis, with all steps included in the same package from the outset.

Because these systems already have evolved in many parts of the world, the U.S. has exported millions of dollars in equipment, supplies, and services.

But I would like to point out that modern systems of poultry and livestock production also have opened up vast markets abroad for feed grains and soybeans. Without first establishing systems for converting corn and soybeans into animal protein, we would not have seen the dramatic up-surge in recent years in U.S. corn and soybean exports. By helping other nations modernize their food systems, paradoxically, the U.S. has dramatically strengthened its own agricultural economy.

At this point I would like to ask you a question: Would this far-reaching change have become a reality if U.S. interests had been excluded from the early planning stages of the new food systems?

Clearly, our competition now believes involvement at the early planning stages is the key to their success. But there is no secret to the technology so essential in the modern food systems. It is in the open literature. And, now our foreign competitors, with the help of their governments, seem to be doing a better job than we in selling food systems pioneered in America.

In summary, we are in a period of rapid change that is being accelerated by the economic squeeze abroad. Today's problems cry out for solutions. And give rise to new opportunities.

These opportunities are so perishable that our competition is moving in on them right now. They have recognized the importance of a strong link between the export of consulting services and the export of other items.

Therefore, we recommend the export legislation being proposed be broadened to include agricultural services.

STATEMENT OF DANIEL E. SHAUGHNESSY, PRESIDENT, EXPORT PROCESSING INDUSTRY COALITION

Mr. Chairman, the Export Processing Industry Coalition (EPIC) is a unique organization, joining labor unions belonging to the Industrial Union Department of the AFL-CIO, and the food processing industry, which includes processors of corn, wheat and soybeans, to seek expansion of the processed product share of U.S. agricultural exports. This effort is directed towards additional increases in the export of value-added commodities, beyond current raw material exports, in order to enhance and expand U.S. export markets.

EPIC's objective is to utilize U.S. agricultural strength to reestablish a competitive position in world trade. Increasing exports of processed commoditites is not only in the best interests of U.S. business, workers and farm producers, but, also it is of benefit to the economy generally, due to the economic effect of marketing value-added products. The goals of EPIC are to:

1. Increase the amount of processed agricultural products in government-to-government agreements;
2. Expand the amount of processed agriculture products shipped under P.L. 480, Commodity Credit Corporation programs and other food export programs the U.S. government provides to foreign countries;
3. Insure that the Department of Agriculture provides sufficient attention and priority to the export marketing of processed agricultural products;
4. Change the government policies of U.S. trading partners that limit U.S. exports of processed products;
5. Take effective measures to halt dumping and subsidies in third country markets.

At a time when this Committee is considering a number of proposals dealing with farm income, employment and increased agricultural exports, the value-added concept is an important factor in trade policy considerations, food export decisions and administrative and legislative actions relating to these subjects. Encouragement of all export mechanisms to achieve a greater market share for U.S. processed agricultural products is vital to U.S. interests.

The economic gains which can be derived from an increase in the export of U.S. value-added agricultural products include reduction in the balance of payments deficit which the United States must face every year; increased personal income and revenue; an increase in the number of jobs available; increased benefits to farmers by expanding the demand for raw commodities; and increased benefits to processors by creating a larger export market for their products. A 1981 Department of Agriculture study has presented conclusive evidence of the benefits of stressing the export of value-added products through the following examples:

1. In 1980, the United States exported $6.4 billion worth of wheat but only $211 million worth of flour. If an additional 10 percent of the wheat had been exported as flour, the United States could have gained an estimated $5.635 billion worth of business activity, 122,400 additional jobs and $1.217 billion worth of increased personal income.
2. If an additional 10 percent of the $8.6 billion worth of corn which was exported in 1980 had been processed into wet milling products for exports, there could have been as much as $7.645 billion business activity generated, up to 163,400 jobs created and a $1.695 billion increase in personal income.
3. Soybean exports were valued at $5.9 billion in 1980. A 10 percent increase in processed soybean products would have expanded business activity by $1.646 billion, created 28,320 jobs and increased personal income by as much as $253.7 million.

Additional benefits to the United States would come in the form of reduced excess domestic supplies, strengthened commodity prices and reduced cost of government price support programs.

For several decades, the major emphasis of U.S. agricultural policy has been oriented toward basic raw commodities such as wheat, feed grains, soybeans and cotton. While legislative support for the market development of these commodities should continue, a new dimension should be added if we are to maximize the economic benefits of our agricultural abundance -- that is, increasing exports of even more of these basic commodities in processed form.

Mr. Chairman, these hearings are being conducted at the same time that leaders of organized labor are meeting in an effort to improve the U.S. employment situation. We share their concerns and believe that the agricultural sector can make major contributions to improved employment opportunities through certain positive courses of action that can be taken to maximize the full competitive advantage of our agricultural exports. The timely submission of several items of legislation and today's hearings to consider actions directed at increasing the U.S. share of the agricultural export market are most important. The Bills introduced by yourself, Senator Cochran, Senator Dixon, Senator Dole, Senator Mattingly, Senator Boschwitz, Senator Zorinsky, and Senator Abdnor all reflect the growing concern over the importance of agriculture programs and agricultural exports to our economy. In this context:

- -- We endorse the use of payment-in-kind procedures to provide agricultural commodities and products acquired by the CCC, at no cost to exporters, users, and foreign purchasers, to encourage foreign market development for U.S. value-added agricultural products.
- -- We support the use of $90 million of fiscal year 1983 funds for price and credit subsidies for exports of value-added or high-valued agricultural products.
- -- We support the requirement that at least 20 percent of the funds appropriated for the Economic Support Fund be used to purchase U.S. agricultural commodities, with at least half being processed or value-added products.
- -- We support expansion of the current authority of Section 416 of the Agriculture Act of 1949 to incorporate payment-

in-kind provisions and to include donations of other agricultural commodities and products, including processed agricultural products.

-- We support new authority to allow the Secretary of Agriculture to reduce interest rates on export credits to a level which will facilitate and stimulate the export of processed agricultural products.

We would also like to specifically call attention to Senator Dixon's recently submitted Bill, S. 490, which provides that 55 to 60 percent of all the commodities provided in the P.L. 480, Title II program should be in the form of processed food products. We strongly support this amendment in that it not only assures a continuity of these products in vital nutrition programs, but also, maintains the current level of exports of such products under Title II.

Finally, we will soon be asking for resubmission and approval by both Houses of Congress of a resolution dealing with the export of value-added products as it was originally introduced in Congress last year. Such a resolution was passed last year by the Senate but the House did not have sufficient time to consider it. The language of the original resolution is as follows:

* * *

"Resolved . . ., That it is the sense of this Congress that the President should take every possible action to encourage increasing the processed product share of United States agricultural exports, including but not limited to:

(1) Urging our negotiators to attempt to include a quantity of value-added processed agricultural products in any further extension or renewal of grains agreements with the Soviet Union, or other non-market economy countries;

(2) Seeking the elimination of unfair trade practices by foreign competitors, through vigorously pursuing international trade negotiations to assure fair competition for United States agricultural processors in world markets;

(3) Utilizing the authority of Public Law 480 to encourage inclusion of a greater share of processed products under both Title I concessional sales and Title II food aid programs; and

(4) Utilizing authorities of the Commodity Credit Corporation of the United States Department of Agriculture and the Export-Import Bank to ensure that credit arrange-

> ments for agricultural and agricultural product exports are on terms equal to those offered by other countries to assure fair competition."

* * *

Mr. Chairman, we feel that this resolution is extremely important, especially in light of the current trade situation which we now face and in light of our own domestic economic and employment requirements. We believe that the Congress shares these concerns and that an expression of this concern in the form of a strongly supported resolution is both timely and appropriate. In closing, I wish to again commend you and the members of this Committee for your prompt and serious consideration of these vital agricultural issues affecting farm income, employment and international trade. You can be assured of our continuing support.

Statement of
Bobby F. McKown
Executive Vice President and General Manager
Florida Citrus Mutual

Florida Citrus Mutual is a voluntary cooperative trade association whose membership consists of more than 13,341 active Florida citrus growers, with headquarters at Lakeland, Florida.

Senator Hawkins, Gentlemen, it is a pleasure to have an opportunity to advance Florida Citrus Mutual's position today in support of the Export Equity Bill and particularly to address the need for such a program to assist the export of value added Florida citrus and citrus products.

Let me emphasize at the outset that the citrus grower is not, and never has been, a recipient of agricultural price supports. He is not now seeking such preferential treatment; nor is the Florida citrus grower asking for government assistance to place him at a competitive advantage over foreign citrus growers and/or processors. We do, however, solicit your support for the government program advanced in the Export Equity Bill, that would allow us to compete in world markets on an equal basis with other citrus growers. We do not seek preferential treatment; we do seek equal treatment.

Most of Florida's orange juice and grapefruit juice exports --- other than that which goes to Canada --- are shipped to Western Europe. That, of course, includes both countries that are members and countries that are not members of the European Community. In 1980-81, Florida exports of orange juice and grapefruit juice to all Western European countries totaled approximately 25.7 million gallons in single strength equivalent. The average price of that juice, not including the value added by transportation costs, was $1.74 per gallon, showing a total value of product at $45,000,000. Our statisticians keep records on the product in units of single strength equivalent in order to have a common denominator. In fact, however, the vast majority of that juice was concentrated and packed in 6-ounce, 8-ounce and 32-ounce containers.

Let me emphasize, however, the figures that we just mentioned, the dollar figure of $45,000,000, of Florida's citrus exports includes exports to all Western European countries. The fact is, the lion's share by far of those exports went to Scandanavian countries, particularly Norway and Sweden, where they were allowed to enter without being placed at a competitive disadvantage by government preferential tariffs.

In the European Community countries, however, Florida citrus products are the subject of open, invidious tariff discrimination. In the European Community, Florida grapefruit juice faces a 15% tariff. American orange juice is burdened with a 19½% ad valorem tariff. That, Senator Hawkins, Gentlemen, is a high tariff. If, however, it were applied equally to all nations seeking to export citrus juices into the European Community, our complaint would be greatly muted.

Such equal treatment, however, is not a part of the EC package. Four countries of the Mediteranean basin, are granted preferential treatment: Isreal, Morocco, Tunisia and Algeria are allowed to export their citrus juices to the EC at a 70% reduction in tariff rates. The effect of that 70% reduction is this: the American exporter of orange juice pays a 19½% tariff; the Isreali exporter pays a 6% tariff; the American exporter of grapefruit juice pays a 15% tariff; the Algerian and Moroccan exporter pays a mere 5% tariff on the same product.

However, the discrimination cuts even deeper than those figures show on their face. A tariff is levied on an ad valorem "landed value" basis. It looks to the C and F (cargo and freight) Value. Thus, the Florida orange juice producer, must pay the EC a tariff not only on the juice but also on the cost of shipping it across the Atlantic. The Moroccan producers pay at a greatly reduced tariff rate on a cheaper product that is shipped only across the Mediteranean.

Let me add another dimension to this package of discrimination against American citrus products. Our major competitor, in terms of orange juice concentrate, is Brazil. A Brazilian producer enjoys some very substantial economic advantages, including relatively inexpensive labor; an absence of expensive environmental protection controls; comparatively cheaper land; substantial government supports and tax credits; and now a devalued currency. Because of all of these advantages, Brazil has been able to achieve a substantial share of the export markets in many parts of the world. It is our understanding from reliable sources that a substantial percentage of the orange juice concentrate showing up in the EC originates in Santos, Brazil. The Brazilian product gets offloaded at a Mediteranean port, is packaged into smaller conainters, and is transshipped into a European port with a bill of lading showing it to be an Isreali, Moroccan, Tunisian or Algerian product.

There is more than a small amount of irony in this total situation since EC countries produce only very small quantities of orange juice. Until last year, the only EC member producing any citrus juices was Italy. With the admission of Greece this past year, an additional citrus-producing country has been added to the EC roster. Even so, however, there virtually is no local citrus industry for the EC to protect. The fact is, the European Community, with its CAP (Common Agricultural Policy) does protect all its farmers. It effectively keeps out most American citrus juices in order to preclude even indirect competition with European farmers of alternate commodities. Perhaps it would not be an overstatement to characterize that type of policy as more protectionist than this nation has ever dreamed.

In conclusion, Senators, permit me to quote to you from the European Community News, EC News No. 2/83, distributed on January 18 of this year. "The GATT Tokyo Round, to which the U.S. was a party, recognizes agricultural export subsidies as a way of life". The Brazilian government provides export subsidies to its citrus growers, and the EC provides export subsidies for its farm products. But the representatives of the Florida citrus industry are not seeking such an export subsidy. We are seeking, and urging your support of, a mechanism that would allow our producers and our processors to compete equally, fairly and equitably for a fair share of the world market for our products.

Thank you.

STATEMENT OF DR. JACK D. EARLY, PRESIDENT, NATIONAL AGRICULTURAL CHEMICALS ASSOCIATION

Mr. Chairman, I am Dr. Jack D. Early, president of the National Agricultural Chemicals Association, a nonprofit trade association of manufacturers and formulators of pest-control products employed in agricultural production. NACA's membership is composed of the companies which produce and sell virtually all of the technical crop protection materials (active ingredients) and a large percentage of the formulated products registered for use in the United States.

We would like to commend you and the committee for addressing agricultural economic and trade legislation as your first priority in this session. I am here to support legislation that will help restore growth and profitability to our farm and ranch businesses by expanding exports of U.S. commodities, value-added products and other agricultural goods and services.

Agriculture as a whole simply cannot recover without a dramatic upsurge in the value of its exports. This hardly seems a debateable point, when the the export market has come to provide 25 to 30 percent of cash receipts of producers alone -- disregarding all others whose incomes are involved.

When such a significant fraction of farm income is at stake, the only alternatives to a concentrated effort to expand exports, it seems to me, are a long-term, massive "bail out" by the public sector, or an equally unacceptable and drastic reduction in the numbers of producers as a way to bring production more in line with demand.

I hope I am not sounding melodramatic, but such courses would seem to be the logical outgrowth of the fact that export markets are already the principal market for producers of wheat, rice, soybeans, almonds, cattle hides, cotton and hops, among others. Without a fair share of those markets, they would have to produce less but still be faced with heavy existing fixed costs; that means either securing a higher price (the price of inefficiency) or going out of business.

The most acceptable course, then, seems to be that of the bills before you and long-run approaches to bringing world demand more in line with our renowned productivity, by removing trade barriers of all kinds and helping to stimulate the world economy as a whole.

I cannot stress too strongly, however, Mr. Chairman, that, while NACA is testifying today in support of agricultural producers' interests, we do not consider this issue or these bills solely "agricultural" — that is, limited to producers when the benefits are counted.

The entire public gains by an expansion of agricultural trade. It is already the single most positive factor in our trade accounts — even with fiscal 1982's downturn, the first significant one in 13 years, and the decline for 1983 that has been projected barring the sort of remedies envisioned by this legislation.

How does the public at large benefit? The first thing that comes to mind, of course, is that a healthy U.S. agriculture assures all of us of a continuation of the system that has brought us the most abundant supply of food and fiber at reasonable prices enjoyed by any citizenry in the world.

But the second thing — employment — is more on the minds of Americans today, because jobs are le[illegible]aken for granted these days than our food supply. Jobs are what is most involved here.

In 1981, when U.S. agricultural exports peaked in value at $43.8 billion, U.S. Department of Agriculture and private economists estimated that those exports provided between 800,000 and 1.2 million American jobs, with each $1 billion increase generating an additional 31,600 jobs. I believe it is safe to say that the 10.7 percent decline in the value of total U.S. farm exports last year, despite a slight increase in volume, is reflected in the unemployment and underemployment statistics that have all of us so concerned today.

Those studies pointed out — and this is a point I want to stress — that two-thirds of the jobs, and 57 percent of the dollars involved, are off the farm. When one considers the supply industries, such as ours, and all the transportation, processing and marketing sectors past the farm gate, it is easy to understand that, and the fact that agriculture as a whole comprises 20 percent of our work force — 23 million jobs, or 23 million men and women dependent on a thriving agricultural plant.

Considering all those jobs and the full agricultural network they represent, the economic activity generated by exports is easy to understand, even if the so-called "multiplier effect" sometimes seems confusing.

Those billions are going to change hands many times. An Economic Research Service staff study two years ago (ESS Staff Report #AGESS810407) estimated that every $1 earned from farm exports generates an additional $1.05 in total economic activity. That is for all commodities considered together -- both unprocessed and value-added.

Every $1 in feedgrain exports was projected to generate $1.90 in total business activity, with $1.12 going to production agriculture, for one example. For another, one of the particular areas of concern here today, the study said, "A dollar of final export sales for poultry and eggs generates $1.37 in production agriculture and $1.57 of activity in the nonfarm economy." Higher processed products, of course, generate more activity — and activity is definitely what our entire economy needs today.

Manufacturers and formulators of pest-control products do have a particular interest in expansion of U.S. markets for a agricultural products and a worldwide fair-trade policy. U.S. farmers and ranchers are our customers; their economic health determines ours. We, too, have a significant market overseas. In 1981, about 25 percent of the sales of pesticides produced in the United States were made outside the United States.

In these times of burdensome surpluses of grain, cotton, dairy products and other commodities, it is easy for some to forget the underlying problem all of us in agriculture face: feeding a world population that will continue to grow. That will require not only the full, profitable capacity of our U.S. agricultural industry but also modern agriculture -- including pesticides -- abroad, especially in those regions without the advantages of climate, soil and season length that we are blessed with.

In summary, the National Agricultural Chemicals Association supports legislation that has a likely chance to turn around the current trends in the export picture: both the declining value of the exports and the unfair trading practices of our competitors. The end results we all seek are profitability for U.S. agriculture and stability in the international marketplace.

Thank you, Mr. Chairman.

STATEMENT OF ARTHUR SIMON, EXECUTIVE DIRECTOR, BREAD FOR THE WORLD

Mr. Chairman and distinguished committee members, I appreciate the opportunity to testify on behalf of Bread for the World. Bread for the World is a Christian citizens' movement with over 43,000 members in local chapters across the United States, as well as close ties with many religious denominations.

The Congress could not be considering legislation concerning farmers and hungry people at a more critical time. United States farmers are suffering from overwhelming argicultural production at a time when 28 developing countries are suffering from abnormal food shortages. Those 28 countries are in difficult straits because they must trade erratically priced sugar, palm oil, and coffee for high priced food imports. Low income people in those countries are at an even greater disadvantage, because when food prices are high they are the ones who suffer the most.

Food security for low income people is critical if hunger is to be eliminated. World food security is defined by the Food Agriculture Organization (FAO) of the United Nations to equal the point at which world grain stocks are 18 percent of world consumption. This year, 1983, the FAO estimates that world stocks will equal 21 percent of world consumption, with the United States bearing most of the burden for storage.

However, world grain stocks are only one measure of world food security; they do not ensure that people are well fed or fed at all. World food security can only be achieved when poor people have the money to buy or grow the food they need. While we recognize these limitations to the effectiveness of holding world grain stocks, the United States made a large step toward promoting food security for the world's poorest when the Emergency Food Security Reserve was established in 1980.

The Emergency Food Security Reserve (EFSR) serves as a backstop to the Pub. L. 480 program should shortages in world and United States food supplies occur. The four million metric ton reserve is an essential safeguard to the continuity of United States food aid programs. Without such a reserve, food assistance can shrink precisely at the time when it is most needed—during famines and periods of tight world supply. For example, skyrocketing grain prices in 1972–74 directly affected the amount of United States food aid available for developing nations. Food aid shipments of grain and grain products dropped from 7.9 million metric tons in fiscal year 1972 to 2.5 million metric tons in fiscal year 1974, although the need for food aid was increasing dramatically throughout this period.

Bread for the World is concerned about the recommendation to use the EFSR in legislation.

1. Bread for the World would like to see the EFSR protected from drawdowns for purposes unrelated to its enactment.—The fact that there have been no severe food shortages to warrent touching the reserve during the past two years should not lead to a discrediting of the reserve. The EFSR needs to be available as international need arises.

2. The EFSR is designed to be used in times of shortage not surplus.—Tons of wheat sit on United States farms; our farmers are going bankrupt. This is the least logical time to delve into the EFSR. Farmers need to have the government purchase wheat directly from the market to increase prices, if export expansion is to assist farmers. If the government is unwilling to buy wheat directly from farmers now, at such low prices, why should the government have the motivation to buy from farmers later to replenish the reserve?

3. The wheat in the EFSR is not part of the agricultural surplus overhanging the market.—Wen the EFSR was established, extreme caution was taken to assist farmers by isolating the reserve from casual use by the government. Thus, under current law, the EFSR cannot be tapped by the government to manipulate prices. In fact, Senator Huddleston was the primary advocate for farmers in this respect when the EFSR passed in the Senate, October 1, 1980. Senator Huddleston stated:

"This reserve was developed as a plan to accommodate the suspended grain that had been intended for the Soviet Union; and it was established in such a way as to isolate that grain from the marketplace and prevent it, to the fullest extent possible, from overhanging the market and being a depressant on the prices that our farmers received. From the standpoint of wheat farmers, wheat in the food security reserve is much more secure than other stocks of wheat held by the Commodity Credit Corporation." (Congressional Record, S 14224)

4. The utilization of the EFSR for export promotion is a misuse of the EFSR.—The reserve was established to meet the needs of hungry people overseas when Pub. L. 480 food aid is not sufficient to meet those needs. The reserve was established for humanitarian purposes, not to serve as a primary tool for export market development. It is crucial to the needs of hungry people that the reserve not become distorted into a bonus for developing countries who choose to purchase agricultural commodities from the United States. If the United States proceeds with this type of "reward" for purchases, the EEC and other agricultural competitors may be provoked into a more open "price war".

5. Finally, Bread for the World questions if agricultural export expansion does not divert attention away from the real problem facing United States farmers today, namely prices.—As exports are continually promoted, in spite of decreasing markets, farmers are encouraged to increase production. The result may be that prices will continue to be below the cost of production for agricultural products. The critical factor for farmer success, farm prices, remains unchallenged in the shadow of export promotion.

In summary, Bread for the World recommends that:

(1) The Emergency Food Security Reserve not be used to expand United States agricultural export programs as proposed.

(2) If the Congress wishes to assist farmers, then wheat should be purchased from the market or redeemed from the predicted farm loan forfeitures for export expansion programs.

(3) If the Congress wishes to assist in meeting the needs of hungry people in developing countries, that the Congress:

a. Advocate the dispersement of remaining P.L. 480 funds for the purchase of commodities for those countries facing abnormal food shortages.

b. Institute projects for the construction of small scale grain reserves in developing countries at the farm and village level, to reduce post-harvest losses.

c. Participate in the Food Security Assistance Scheme established by the FAO to assist developing countries in planning for their future food security.

II

98TH CONGRESS
1ST SESSION

S. 14

To provide authority for activities to develop and expand markets for United States agricultural commodities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. COCHRAN (for himself, Mr. HUDDLESTON, Mr. PRYOR, Mr. MATTINGLY, Mr. HEFLIN, Mr. THURMOND, Mr. NUNN, Mr. ZORINSKY, Mr. BOREN, and Mr. DIXON) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To provide authority for activities to develop and expand markets for United States agricultural commodities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Market Expansion Act of 1983".

EXPANSION OF UNITED STATES AGRICULTURAL EXPORT MARKETS

SEC. 2. The Agriculture and Food Act of 1981 is amended by inserting after section 1209 a new section as follows:

"EXPANSION OF UNITED STATES AGRICULTURAL EXPORT MARKETS THROUGH THE USE OF COMMODITIES ACQUIRED BY THE COMMODITY CREDIT CORPORATION

"SEC. 1209A. (a) Notwithstanding any other provision of law, the Secretary of Agriculture may formulate and carry out an export expansion program under which commodities acquired by the Commodity Credit Corporation are tendered at no cost to United States exporters and processors for export, and foreign purchasers, to encourage development, maintenance, and expansion of markets for United States agricultural commodities and the products thereof.

"(b) In carrying out the program authorized under this section, the Secretary of Agriculture shall—

"(1) take such action as may be necessary to ensure that the program provides equal treatment to domestic and foreign purchasers and users of United States agricultural commodities in any case where the importation into the United States of a manufactured product made, in whole or in part, from a commodity made available for export under this section would place domestic users of the commodity at a competitive disadvantage;

"(2) ensure insofar as possible that any use of Commodity Credit Corporation stocks for the purposes of the program authorized under this section be made in such manner as to encourage increased use, and avoid displacing usual marketings, of United States agricultural commodities and products thereof; and

"(3) take reasonable precautions to prevent the resale or transshipment to other nations, or use for other than domestic use in the nation to which stocks of the Commodity Credit Corporation are shipped, of the stocks of the Commodity Credit Corporation made available to export participants in the program.

"(c) The Secretary of Agriculture shall carry out the program authorized by this section through the Commodity Credit Corporation.

"(d) The Secretary of Agriculture may issue such regulations as the Secretary deems necessary to carry out this section.

"(e) The authority provided under this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.".

AUTHORITY FOR THE USE ABROAD OF COMMODITY CREDIT CORPORATION STOCKS

SEC. 3. Section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) is amended by striking out the last two sentences and inserting in lieu thereof the following: "Such dairy products and other agricultural commodities and products thereof acquired by the Commodity Credit Corporation also may be donated through foreign governments and public and nonprofit private humanitarian organizations for the assistance of needy persons outside the United States, and the Commodity Credit Corporation may pay, with respect to commodities and products thereof so donated, reprocessing, packaging, transporting, handling, and other charges, including the cost of overseas delivery. To ensure that any such donations for use outside the United States complement, and are coordinated with, other United States foreign assistance, such donations shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954 and shall be in addition to the level of assistance programmed under that Act. Agricultural commodities and products thereof acquired by the Commodity Credit Corporation may also be used to increase the level of agricultural exports under titles I and III of the Agricultural Trade Development and Assistance Act of 1954 consistent with the purposes of that Act and shall be in addition to the level of assistance programmed under that Act.".

DISPOSITION OF DAIRY PRODUCTS ABROAD

SEC. 4. Notwithstanding any other provision of law, the Secretary of Agriculture is encouraged to donate abroad, or sell for export at the best price obtainable, at least 50,000 metric tons of dairy products owned by the Commodity Credit Corporation, during each of the fiscal years 1983 through 1985. The Secretary shall report semiannually, through September 30, 1985, to Congress on the status of such donations or sales.

COMMODITY CREDIT CORPORATION SALES OF EXTRA LONG STAPLE COTTON

SEC. 5. Section 407 of the Agricultural Act of 1949 (7 U.S.C. 1427) is amended by adding at the end thereof the following new sentence: "Notwithstanding any other provision of this section, effective beginning thirty days after the enactment of this sentence, stocks of extra long staple cotton held by the Commodity Credit Corporation may be sold for unrestricted use at such price levels as the Secretary determines appropriate to maintain and expand export and domestic markets for such cotton.".

IMPROVED DISTRIBUTION OF SURPLUS AGRICULTURAL COMMODITIES

SEC. 6. Section 1114(a) of the Agriculture and Food Act of 1981 (7 U.S.C. 1431e) is amended by inserting immediately after the first sentence thereof the following new sentence: "Whenever a commodity is made available without charge or credit, the Secretary of Agriculture shall encourage consumption thereof through agreements with private companies under which the commodity is processed into end products for use by eligible recipients, with the expense of the processing to be borne by the recipients.".

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of S. 14
Agricultural Market Expansion Act of 1983

S. 14, introduced by Senator Cochran, would:

1. Authorize the Secretary of Agriculture to establish an export expansion program under which CCC commodities may be tendered at no cost to U.S. exporters and processors for export, and foreign purchasers to encourage foreign market development for U.S. commodities and products thereof. Under this export "PIK" program--

   * domestic purchasers and users would be provided equal treatment relative to foreign purchasers and users in cases where domestic users may be disadvantaged as a result of the program;

   * the Secretary must ensure that CCC stocks would be used in such a manner as to encourage increased use and avoid displacing usual marketings of the United States; and

   * the Secretary must take reasonable precautions to prevent resale or transshipment of commodities to other countries.

2. Expand current authority in section 416 of the Agricultural Act of 1949 (to donate stocks of dairy products to needy persons in foreign countries) to

include donations of other agricultural commodities and products thereof acquired by CCC, and authorize the use of CCC commodities under titles I and III of P.L. 480, in addition to programmed levels.

3. Encourage the Secretary of Agriculture to donate or sell abroad at least 50,000 metric tons of CCC dairy products in each of fiscal years 1983 - 1985, and to report semiannually to Congress on the status of sales and donations.

4. Allow the sale for unrestricted use of CCC stocks of extra long staple cotton at prices the Secretary determines appropriate to maintain and expand export and domestic markets for such cotton.

5. Direct the Secretary to encourage consumption of CCC commodities donated for domestic use by making them available directly to processors who contract with eligible recipients to process the commodities into end products.

II

98TH CONGRESS
1ST SESSION

S. 18

To improve farm commodity prices, to strengthen the national economy through a comprehensive, demand-oriented agricultural export policy, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. DOLE (for himself and Mr. DOMENICI) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To improve farm commodity prices, to strengthen the national economy through a comprehensive, demand-oriented agricultural export policy, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Export Expansion Act of 1983".

FINDINGS AND DECLARATION OF POLICY

SEC. 2. (a) The Congress finds that—

(1) continued low prices severely erode the economic position of farmers and all sectors that depend upon agricultural production;

(2) erratic actions of the United States Government concerning domestic agricultural commodities and products thereof have severely damaged the credibility of the United States as a reliable supplier of agricultural commodities and products thereof to international markets;

(3) the competitive position of domestic agricultural exports has been weakened by foreign export subsidies, unfair trade practices, high interest rates, and unfavorable foreign exchange rates; and

(4) an increase in agricultural exports from the United States would create new jobs, improve this Nation's balance of trade, and otherwise strengthen the national economy.

(b) The Congress declares that expansion of agricultural exports is of fundamental economic importance to the Nation and is one of the highest national priorities.

EXPANDED MARKETS FOR DOMESTIC AGRICULTURAL COMMODITIES AND PRODUCTS

SEC. 3. (a) As used in this section, the term "agricultural commodity" means wheat, feed grains, upland cotton, rice, and other agricultural commodities, and the products thereof.

(b)(1) Notwithstanding any other provision of law, in order to encourage the expansion of export markets for domestic agricultural commodities and products thereof, the Secretary of Agriculture may develop and carry out a program under which agricultural commodities acquired by the Commodity Credit Corporation are made available for export to domestic exporters, domestic processors (for export), and foreign purchasers.

(2) Agricultural commodities shall be made available to domestic exporters, domestic processors, and foreign purchasers under this section without charge.

(c) In carrying out the program authorized by this section, the Secretary of Agriculture shall—

(1) if the importation of a manufactured product made, in whole or in part, from an agricultural commodity made available for export under this section would place domestic processors of the commodity at a competitive disadvantage, take such action as may be necessary to ensure that equal treatment is provided to domestic exporters and foreign purchasers and to domestic processors of such commodity;

(2) give priority, among foreign purchasers receiving agricultural commodities under this section, to foreign purchasers who have traditionally purchased agricultural commodities produced in the United States and

who continue to purchase such commodities on an annual basis in quantities greater than the level of purchases in a previous representative period;

(3) ensure, insofar as possible, that use of any agricultural commodities made available under this section be made in a manner that will encourage increased use, and avoid the displacement of usual marketings, of domestic agricultural commodities; and

(4) take reasonable precautions to prevent the resale or transshipment to other countries, or use for other than domestic use in the importing country, of agricultural commodities made available under this section.

(d)(1) If a foreign purchaser sells commodities received under this section in the importing country and uses funds received from such sale to construct or rehabilitate facilities in such country and the Secretary of Agriculture determines that such facilities improve the handling, marketing, processing, storage, or distribution of domestic agricultural commodities, such purchaser shall be eligible to receive supplemental distributions of commodities under this section.

(2) The Secretary may make supplemental distributions under this subsection with such commodities, at such intervals, and in such quantities as the Secretary determines appropriate taking into account the extent to which facility im-

provements have been made, the capability of the importing country to distribute or otherwise use additional agricultural commodities, and such other factors as the Secretary determines promote the purposes of this section.

(e) The Secretary of Agriculture shall carry out the program authorized by this section through the Commodity Credit Corporation.

(f) The Secretary of Agriculture may issue such regulations as the Secretary determines necessary to carry out this section.

(g) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.

EXPANDED AUTHORITY FOR THE USE ABROAD OF COMMODITY CREDIT CORPORATION STOCKS

SEC. 4. Section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431), as amended by section 110 of the Omnibus Budget Reconciliation Act of 1982 (96 Stat. 766), is amended—

(1) in the next to the last sentence—

(A) by inserting "and other agricultural commodities and products thereof acquired by the Commodity Credit Corporation" after "products";

(B) by inserting "for the direct distribution, sale, or barter of such commodities and products" after "organizations"; and

(C) by inserting "and products thereof" after "commodities"; and

(2) by inserting before the last sentence, the following new sentence: "The proceeds and services realized from the sale or barter of such commodities and products by such organizations shall be used exclusively to provide assistance to needy persons and may not be used by such organizations to defray operating or overhead expenses.".

AGRICULTURAL EXPORT PROMOTION THROUGH REDUCTION IN TARGET PRICE INCREASES

SEC. 5. (a) Notwithstanding any other provision of law, the Secretary of Agriculture may adjust the established price for wheat, feed grains, upland cotton, and rice under sections 107B(b)(1)(C), 105B(b)(1)(C), 103(g)(3)(B), and 101(i)(2)(C), respectively, of the Agricultural Act of 1949 (7 U.S.C. 1445b-1(b)(1)(C), 1444d(b)(1)(C), 1444(g)(3)(A)(i), and 1441(i)(2)(C))—

(1) for the 1984 crop, at a level which is not less than the midpoint between the minimum established prices for the 1983 and 1984 crops of such commodity prescribed under such section; and

(2) for the 1985 crop, at a level which is not less than the midpoint between the minimum established prices for the 1984 and 1985 crops of such commodity prescribed under such section.

(b) For each of the fiscal years ending September 30, 1984, September 30, 1985, and September 30, 1986, if the Secretary exercises the authority provided by subsection (a), the Secretary shall estimate for each fiscal year the amount of any savings realized from the adjustment of the established price at the level authorized under subsection (a) rather than the level prescribed in the sections referred to in subsection (a).

(c) For each of the fiscal years ending September 30, 1984, September 30, 1985, and September 30, 1986, the Secretary shall use funds available to the Commodity Credit Corporation in an amount equal to the amount of any savings made as the result of any action taken by the Secretary of Agriculture under subsection (a) for each fiscal year—

(1) to ensure that the cooperator programs of the Foreign Agricultural Service of the Department of Agriculture are funded at a level which is at least 10 per centum greater than the funding level provided for such programs during fiscal year 1983; and

(2) from the balance of funds remaining after providing any funding required under clause (1), to provide

funds for the Agricultural Export Promotion Revolving Fund established under subsection (d).

(d)(1) There is hereby established in the Treasury a revolving fund to be known as the Agricultural Export Promotion Revolving Fund, which shall be available without fiscal year limitation for use by the Commodity Credit Corporation (hereafter referred to in this subsection as the "Corporation") for financing in accordance with this section and section 5(f) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c(f)) the following—

(A) commercial export sales of United States agricultural commodities out of private stocks or stocks owned or controlled by the Corporation on credit terms of not to exceed three years;

(B) export sales of United States breeding animals (including, but not limited to, cattle, swine, sheep, and poultry), including the cost of freight from the United States to designated points of entry in other nations; and

(C) the establishment of facilities in importing countries to improve the capacity of such countries for handling, marketing, processing, storing, or distributing fungible agricultural commodities produced in and exported from the United States (through the use of local currency generated from the sale of United States agricultural commodities).

(2) The Corporation shall use the revolving fund only to extend credit for purposes of market development and expansion and only where there is substantial potential for developing or enhancing regular commercial markets for United States agricultural commodities.

(3) The Secretary of Agriculture shall ensure that the revolving fund is used in such a manner as to involve equitable use of the funds to finance sales to the greatest feasible number of countries consistent with maximizing market opportunities.

(4) There are authorized to be appropriated to the Agricultural Export Promotion Revolving Fund such sums as may be necessary to carry out the provisions of this subsection. All funds received by the Corporation in payment for credit extended by the Corporation using the revolving fund, including interest or other receipts on investments and credit obligations, in financing export sales of the types specified in paragraph (1) of this subsection shall be added to and become a part of such revolving fund.

(5) The Secretary shall submit an annual report to Congress not later than December 1 of each year with respect to the use of the revolving fund in carrying out export credit sales by the Corporation in the previous fiscal year. Such

report shall include, for the previous fiscal year, the names of the countries extended credit under this subsection, the total amount of such credit extended to each such country, the names of the United States exporters that received any such credit, the total amount of credit provided to each such exporter stated separately for each commodity for which the credit was extended, and a discussion and evaluation of the market development and expansion activities of the Corporation under this subsection during such fiscal year. The first such report shall be submitted to Congress not later than December 1, 1983.

(e) The Secretary shall carry out the program provided by this section through the Commodity Credit Corporation.

(f) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.

ECONOMIC SUPPORT FUND

SEC. 6. (a) Section 531 of the Foreign Assistance Act of 1961 (22 U.S.C. 2346) is amended by adding at the end thereof the following new subsection:

"(d) The President shall use an amount equal to not less than 20 per centum of the funds appropriated to carry out this chapter for the purchase of domestic agricultural commodities. At least one-half of such amount shall be used to purchase processed or value-added products of such commodities.".

(b) The amendment made by this section shall become effective on October 1, 1983.

SECRETARY OF STATE REPORT

SEC. 7. (a) The Secretary of State shall submit to the Congress not later than July 1, 1983, a report describing all programs administered by the Secretary under which surplus domestic agricultural commodities and products thereof are or could be distributed in foreign countries.

(b) The report required under subsection (a) shall include—

(1) the types of agricultural commodities distributed under the programs described in subsection (a) over the ten-year period preceding the date of enactment of this Act;

(2) the names of the countries receiving such distributions;

(3) the prices (if any) charged for such distributions;

(4) the credit terms under which such distributions were made; and

(5) recommendations concerning how programs described in subsection (a) could be used to expand the

export of surplus domestic agricultural commodities and products thereof.

REPORT ON LONG-TERM AGREEMENT NEGOTIATIONS

SEC. 8. (a) The President shall submit to the Congress not later than March 31, 1983, a written report describing his actions and intentions with respect to the negotiation of a long-term grain sales agreement with the Government of the Soviet Union the terms of which provide for a higher minimum purchase requirements than the agreement in effect on the date of enactment of this Act and which would be effective October 1, 1983.

(b) It is the sense of the Congress that the President should initiate negotiations with the Government of the Soviet Union to reach an agreement described in subsection (a).

REPORT ON BILATERAL AGREEMENTS

SEC. 9. The Secretary of Agriculture shall submit to the Congress not later than July 1, 1983, a report describing the growth of and prospects for bilateral agricultural trade agreements and the potential impact of such agreements on trade.

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of S. 18
Agricultural Export Expansion Act of 1983

S. 18, introduced by Senator Dole, would:

1. State certain Congressional findings regarding the status of U.S. agricultural exports, and declare that Congress considers the expansion of agricultural exports to be one of the highest national priorities.

2. Authorize the Secretary of Agriculture to develop and carry out a program under which CCC commodities are made available, without charge, for export to domestic exporters and processors, and foreign purchasers to encourage expansion of export markets for domestic commodities and products thereof. Under this export "PIK" program--

   * domestic processors of a commodity would be provided equal treatment relative to domestic exporters and foreign purchasers in cases where the domestic processors may be disadvantaged as a result of the program;

   * priority would be given to foreign purchasers who traditionally have purchased U.S. commodities and who continue such purchases each year in quantities greater than during a representative period;

- the Secretary must ensure that the use of commodities under the program will encourage increased use and avoid displacing usual marketings of the United States;

- the Secretary must take reasonable precautions to prevent resale or transshipment of commodities to other countries; and

- supplemental distributions of commodities may be made to foreign purchasers who sell the commodities in the importing country and use the proceeds for the construction or rehabilitation of facilities in the importing country to improve the handling, marketing, storage, processing, or distribution of domestic commodities.

3. Expand current authority under section 416 of the Agricultural Act of 1949 (to donate stocks of dairy products to needy persons in foreign countries) to include donations of other CCC agricultural commodities and products thereof, and to permit the sale and use for barter of such commodities and products by the recipients for the benefit of needy persons.

4. Authorize the Secretary to reduce by not more than one-half the scheduled increases in target prices for the 1984 and 1985 crops of wheat, feed grains, upland

cotton, and rice, and require the Secretary to use CCC funds equal to the estimated amount of any savings from such reductions for export promotion activities during fiscal years 1984-1986 as follows--

- to increase by at least 10 percent over the fiscal year 1983 level the funding level for the cooperator programs of the Foreign Agricultural Service; and

- to use the balance of such funds to fund the Agricultural Export Promotion Revolving Fund described in item 5 (following).

5. Establish the Agricultural Export Promotion Revolving Fund to be available for use by CCC, without fiscal year limitation, to finance, in the greatest feasible number of countries where there is substantial potential for enhancing sales of U.S. commodities--

   - commercial export sales of U.S. agricultural commodities on credit terms not to exceed 3 years;

   - export sales of U.S. breeding animals, including freight costs to the receiving port in other countries; and

- the establishment of facilities in importing countries to improve the capacity of such countries to import U.S. commodities.

6. Require the President, effective October 1, 1983, to use not less than 20 percent of the funds appropriated for the Economic Support Fund to purchase U.S. agricultural commodities, of which at least one-half must be processed or value-added products.

7. Require the Secretary of State to report to Congress by July 1, 1983, on all existing programs administered by the Secretary under which surplus agricultural commodities are or could be distributed to foreign countries, including recommendations on how such distributions could be increased.

8. Require the President to report to Congress by March 31, 1983, on the status of negotiations on a new long-term grain sales agreement with the Soviet Union providing for higher minimum purchase requirements than currently in effect, and express the sense of Congress that the U.S. should initiate such negotiations.

9. Require the Secretary of Agriculture to report to Congress by July 1, 1983, on the expansion of bilateral agricultural trade agreements and their impact on trade.

II

98TH CONGRESS
1ST SESSION

S. 77

To expand the export sales of agricultural commodities produced in the United States through the use of commodities acquired by the Commodity Credit Corporation.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. MATTINGLY introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To expand the export sales of agricultural commodities produced in the United States through the use of commodities acquired by the Commodity Credit Corporation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agriculture and Food Act of 1981 (Public Law 97–98; 95 Stat. 1213) is amended by inserting after section 1209 the following new section:

"EXPANSION OF UNITED STATES AGRICULTURAL MARKETS THROUGH THE USE OF COMMODITIES ACQUIRED BY THE COMMODITY CREDIT CORPORATION

"SEC. 1209A. (a) Notwithstanding any other provision of law, the Secretary of Agriculture may formulate and carry out an export expansion program under which wheat, feed grains, corn, upland cotton, rice, and other commodities acquired by the Commodity Credit Corporation may be tendered to United States producers, processors, users, and exporters for the purpose of encouraging development and expansion of foreign markets for United States agricultural commodities and the products thereof. The Secretary shall make such commodities available in such quantities and under such terms and conditions as he deems appropriate.

"(b) In carrying out the program authorized by this section, the Secretary shall—

"(1) take such action as may be necessary to ensure that the program provides equal treatment to domestic and foreign purchasers and users of United States agricultural commodities in any case in which the importation of a manufactured product made, in whole or in part, from a commodity made available for export under this section would place domestic users of the commodity at a competitive disadvantage;

"(2) ensure insofar as possible that any use of Commodity Credit Corporation stocks for the purposes of the program authorized under this section be made in such manner as to encourage increased use and avoid displacing usual marketings of the United States; and

"(3) take reasonable precautions to prevent the resale or transshipment to other nations, or use for other domestic use in the nation to which stocks of the Commodity Credit Corporation are shipped, of the stocks of the Commodity Credit Corporation made available to export participants in the program.

"(c) The Secretary of Agriculture shall carry out the program authorized by this section through the Commodity Credit Corporation.

"(d) The Secretary of Agriculture may issue such regulations as the Secretary determines necessary to carry out this section.

"(e) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.".

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of S. 77

S. 77, introduced by Senator Mattingly, would authorize the Secretary of Agriculture to formulate and carry out an export expansion program under which CCC commodities may be tendered, under terms and conditions determined appropriate by the Secretary, to U.S. producers, processors, users, and exporters to encourage foreign market development for U.S. commodities and products thereof. Under this export "PIK" program--

- domestic purchasers and users would be provided equal treatment relative to foreign purchasers and users in cases where domestic users may be disadvantaged as a result of the program;
- the Secretary must ensure that CCC stocks would be used in such a manner as to encourage increased use and avoid displacing usual marketings of the United States; and
- the Secretary must take reasonable precautions to prevent resale or transshipment of commodities to other countries.

II

98TH CONGRESS
1ST SESSION

S. 100

To assure that actions taken by foreign countries do not impact severely on domestic agricultural exports and agriculture, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. BOSCHWITZ introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To assure that actions taken by foreign countries do not impact severely on domestic agricultural exports and agriculture, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Free and Fair Trade Act of 1983".

TITLE I—DEMAND MAINTENANCE

DEFINITIONS

SEC. 101. As used in this title, unless the context clearly requires otherwise—

(1) the term "commodity" means—

(A) barley, corn, grain sorghums, rice, soybeans, upland cotton, wheat, any other commodity designated by the Secretary, and any processed or value added farm product; and

(B) butter, cheese, and nonfat dry milk;

(2) the term "Corporation" means the Commodity Credit Corporation;

(3) the term "excess carryover condition" means a condition determined to exist by the Secretary pursuant to section 102(a); and

(4) the term "Secretary" means the Secretary of Agriculture.

DEMAND MAINTENANCE REQUIREMENTS

SEC. 102. (a)(1) The Secretary shall from time to time during each marketing year determine whether an excess carryover condition exists for each commodity.

(2) Subject to the provisions of paragraph (3), an excess carryover condition exists for a commodity during a marketing year if the estimated total supply of such commodity during such marketing year exceeds the quantity of such commodity the Secretary estimates will be utilized domestically and for export during such marketing year by a percentage figure equal to or greater than the figure specified below for such commodity:

(A) In the case of barley, 27.5 per centum.

(B) In the case of butter, 15 per centum.

(C) In the case of cheese, 12.5 per centum.

(D) In the case of corn, 15 per centum.

(E) In the case of grain sorghums, 15 per centum.

(F) In the case of nonfat dry milk, 25 per centum.

(G) In the case of rice, 17.5 per centum.

(H) In the case of soybeans, 10 per centum.

(I) In the case of upland cotton, 25 per centum.

(J) In the case of wheat, 27.5 per centum.

(K) In the case of any other agricultural commodity designated by the Secretary, a percentage specified by the Secretary for such commodity.

(3) An excess carryover condition exists for a commodity during a marketing year only if the Secretary determines that all or part of the condition has resulted from the actions of a foreign country.

(b) Notwithstanding any other provision of law, if a foreign country takes actions which adversely affect domestic agricultural exports and cause or make worse an excess carryover condition for a commodity, the Secretary shall implement one or more of the programs described in sections 103, 104, and 105.

(c) In carrying out the provisions of this title, the Secretary shall take reasonable precautions to safeguard usual marketings of the United States and to avoid displacing any sales of United States agricultural commodities which the Secretary finds and determines would otherwise be made for cash dollars.

(d) The Secretary shall discontinue any program implemented under this title when the Secretary determines that the condition which was the basis for implementing the program ceases to exist, or that actions taken by a foreign country are no longer causing or making worse an excess carryover condition for a commodity.

COMMODITY CREDIT CORPORATION INVENTORIES

SEC. 103. (a) If an excess carryover condition exists in any marketing year with respect to a commodity, the Corporation shall make available to domestic exporters, domestic processors (in the case of processed products), or foreign importers stocks of such commodity owned and held by the Corporation in an amount sufficient to eliminate such condition or, if such condition cannot be eliminated by such action, in an amount equal to all such stocks.

(b) A commodity may be made available under this section for one or more of the following purposes:

(1) export sale for dollars;

(2) export sale for foreign currency; and

(3) donation for humanitarian purposes.

PURCHASE AUTHORITY

SEC. 104. (a) If an excess carryover condition exists in any marketing year with respect to a commodity and the Secretary determines that action taken under section 103 will not eliminate such condition, the Secretary shall make available to producers purchases of such commodity for such marketing year at such level as the Secretary determines will permit the Corporation to obtain and make available for export a quantity of such commodity sufficient to eliminate such condition.

(b) Commodities acquired pursuant to the authority of this section may be disposed of by the Corporation through the means prescribed under section 103.

EXPORT CREDITS

SEC. 105. (a) If an excess carryover condition exists in any marketing year with respect to a commodity or the Secretary determines that interest rates on loans are excessive and detrimental to domestic agricultural exports, the Corporation shall reduce interest rates on export credits to a level which will facilitate distribution of such commodity under sections 103 and 104 (if any) and stimulate the export of domestic agricultural commodities.

(b) Reduction of interest rates under this section may be made in the case of programs involving direct credits, risk assurance guarantees, blended credits, concessional credits, interest rate buy downs, other types or forms of export credit assistance administered by the Corporation, or any combination of such export credit assistance.

(c) A commodity may be made available under this section for one or more of the purposes specified in section 103(b).

EXCHANGE RATES

SEC. 106. (a) If variations in exchange rates in any marketing year cause the United States dollar to appreciate against the world's convertible currencies and such appreciation causes or makes worse an excess carryover condition for a commodity or otherwise adversely affects the domestic farm sector through the impact of such appreciation on domestic agricultural exports, the Secretary shall offset such appreciation of the dollar by using any combination of the programs described in sections 103, 104, and 105 to decrease the unit price of such commodity by a percentage which is equal to or greater than the rate of such appreciation.

(b) The period of reference for appreciation under subsection (a) shall be determined by the Secretary and may vary among different commodities.

EXPORT SUBSIDIES

SEC. 107. (a) If a foreign country subsidizes the export of a commodity from that country and such action causes or makes worse an excess carryover condition for a commodity produced in the United States or otherwise adversely affects the United States farm sector through the impact of such action on domestic agricultural exports, the Secretary shall promptly offset such action by using any combination of programs described in sections 103, 104, and 105 to decrease the unit price of such commodity by an amount which is sufficient to offset such subsidy.

(b) Notwithstanding the provisions of subsection (a), if the Secretary determines that substantial progress is being made toward eliminating a subsidy described in subsection (a) through negotiations with the foreign country providing such subsidy, the Secretary may delay taking action under subsection (a) for a period of not more than six months from the date the Secretary would otherwise be required to take such action.

AUTHORIZATION OF APPROPRIATIONS

SEC. 108. There are authorized to be appropriated such sums as may be necessary to carry out this title.

INAPPLICABILITY OF OTHER LAWS

SEC. 109. Any provision of the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) or any other provision of law, other than this Act, that conflicts with this title shall be ineffective on and after the effective date of this Act.

EFFECTIVE DATE

SEC. 110. This title shall become effective beginning with the 1983 marketing year for a commodity.

TITLE II—DEMAND ENHANCEMENT

MARKET DEVELOPMENT FUNDING

SEC. 201. Subclause (A) of section 1207(a)(5) of the Agriculture and Food Act of 1981 (7 U.S.C. 1736m(a)(5)(A)) is amended to read as follows: "(A) funding market development and cooperator programs at the same or greater funding levels as provided during fiscal year 1971 (adjusted to reflect the cumulative and compounded change in prices and variations in exchange rates since fiscal year 1971) or, if conditions described in section 102(a) of the Agricultural Free and Fair Trade Act of 1983 exist, at greater funding levels than provided during fiscal year 1971 (adjusted to reflect the cumulative and compounded change in prices and variations in exchange rates since fiscal year 1971);".

VALUE ADDED FARM PRODUCTS AND PROCESSED FOODS

SEC. 202. Subclause (B) of section 1207(a)(5) of the Agriculture and Food Act of 1981 (7 U.S.C. 1736m(a)(5)(B)) is amended to read as follows: "(B) funding an export market development program for value added farm products and processed foods (including television and ad campaigns to promote the export of such products and foods) at a greater funding level than that provided during fiscal year 1983; and".

UNITED STATES AGRICULTURAL TRADE OFFICES

SEC. 203. Section 605A(a) of the Act entitled "An Act to provide for greater stability in agriculture; to augment the marketing and disposal of agricultural products; and for other purposes", approved August 28, 1954 (7 U.S.C. 1765a(a)) is amended—

(1) by striking out "nor more than twenty-five"; and

(2) by adding at the end thereof the following new sentences: "In determining the number and location of United States Agricultural Trade Offices, the Secretary shall consider the potential growth of domestic agricultural exports in general and value added farm products in particular. The Secretary shall increase the number of United States Agricultural Trade Offices to the level necessary to accomodate the increased market development efforts described in sections 201 and 202 of the Agricultural Free and Fair Trade Act of 1983.".

EFFECTIVE DATE

SEC. 204. The amendments made by this title shall become effective on October 1, 1983.

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of S. 100
Agricultural Free and Fair Trade Act of 1983

S. 100, introduced by Senator Boschwitz, would:

1. In title I, effective beginning with the 1983 marketing year for each commodity, require the Secretary to take action to enhance agricultural exports whenever an excess carryover condition exists for a particular commodity. Under the demand maintenance program established by this title--

   * the Secretary would be required to determine periodically during each marketing year whether an excess carryover condition exists for each commodity;

   * an excess carryover condition for a commodity would exist if the estimated total supply of the commodity during the marketing year exceeds the quantity needed for domestic and export uses by more than a specified percentage, and the Secretary determines that this situation is due, in whole or in part, to the actions of a foreign country;

   * if the actions of a foreign country adversely affect domestic agricultural exports and cause or make worse an excess carryover condition for a commodity,

the Secretary would be required to take one or more of the following actions--

(a) to make CCC stocks of the commodity available to domestic exporters or processors, or foreign importers, for export sale for dollars or foreign currency or donation for humanitarian purposes, in sufficient quantities to eliminate the condition;

(b) in any case in which available CCC stocks are not adequate to eliminate the condition under (a), above, to purchase from producers an amount of the commodity to be made available by CCC, under (a), sufficient to eliminate the condition;

(c) to reduce interest rates on any form of export credit carried out through the CCC to a level that will facilitate distribution of the commodity under (a) and (b), above, and stimulate exports;

* if the Secretary determines that interest rates on export credit are excessive and detrimental to U.S. farm exports, the Secretary is required to reduce interest rates on any form of export credit carried out through the CCC to a level that will facilitate distribution of the commodity under the methods

described in (a) and (b), above, and stimulate exports;

- if variations in exchange rates cause the U.S. dollar to appreciate relative to the world's convertible currencies and this appreciation causes or worsens an excess carryover condition or otherwise adversely affects U.S. farm exports, the Secretary is required to offset this appreciation by using the methods described in (a), (b), and (c), above;
- if a foreign subsidy of a commodity causes or worsens an excess carryover condition for the commodity or otherwise adversely affects U.S. exports, the Secretary shall take action using the methods described in (a), (b), and (c), above, to decrease the price of the commodity sufficient to offset the subsidy, except that such action may be delayed up to 6 months if substantial progress is being made toward eliminating the subsidy through negotiations with the foreign country;
- in carrying out the provisions of this title, the Secretary must take reasonable precautions to safeguard usual marketings and avoid displacing sales of U.S. agricultural commodities; and

- the Secretary would be required to discontinue any action under this title when the excess carryover condition for the commodity ceases to exist or the actions of the foreign country are no longer causing or making the condition worse.

2. In title II, effective October 1, 1983--

- amend section 1207(a) of the Agriculture and Food Act of 1981 to express the sense of Congress that the Secretary of Agriculture should--

  (a) fund market development and cooperator programs administered by Foreign Agriculture Service at the same real level as in fiscal year 1971, or at a greater real level than in fiscal year 1971 if an excess carryover condition exists for a commodity; and

  (b) fund an export market development program for value added and processed agricultural products at higher levels than during fiscal year 1983; and

- eliminate the present maximum on the number of U.S. Agricultural Trade Offices (now 25) that can be established by the Secretary of Agriculture and provide that the Secretary must consider the potential for growth of U.S. exports of agricultural commodities and value added products in determining the number and location of Trade Offices and must increase the number of Trade Offices to accommodate any increased market development activity described under title II of this bill.

II

98TH CONGRESS
1ST SESSION

S. 124

To amend the Agricultural Act of 1949 to provide emergency relief for farmers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. ZORINSKY introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To amend the Agricultural Act of 1949 to provide emergency relief for farmers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Emergency Farm Relief Act of 1983".

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TITLE I—CROPLAND CONSERVATION AND ACREAGE LIMITATION PROGRAMS FOR 1984 AND 1985 CROPS

Subtitle A—Cropland Conservation Program

Sec. 101. Effective only for the 1984 and 1985 crops, title I of the Agricultural Act of 1949 is amended by inserting after section 107C the following new section:

"CROPLAND CONSERVATION PROGRAM

"Sec. 107D. Notwithstanding any other provision of law—

"(a)(1) The Secretary shall proclaim a national cropland conservation program for each of the 1984 and 1985 crops of wheat, feed grains, upland cotton, and rice.

"(2) Under the program proclaimed under paragraph (1), a producer of a commodity covered by the program who participates in the program—

"(A) may not produce the commodity on more than—

"(i) 80 per centum of the portion of the producer's land normally planted to the commodity, as determined by the Secretary and as adjusted as deemed necessary by the Secretary to be fair and reasonable among producers; or

"(ii) such greater per centum of the portion of the producer's land normally planted to the commodity than the per centum prescribed in clause (i) as the Secretary may establish with respect to the commodity after taking into consideration the estimated quantity and quality of the stocks of the commodity in the United States that would be available for the period covered by the program to ensure the maintenance of adequate but not excessive stocks in the United States, to provide a continuous and stable supply of the commodity needed in the United States and in foreign countries, and for purposes of national security; and

"(B) shall devote the balance of the acreage on the portion of the producer's land normally planted to the commodity to such conservation uses as the Secretary may by regulation prescribe.

The regulations issued by the Secretary with respect to acreage required to be devoted to conservation uses shall ensure protection of such acreage from weeds and wind and water erosion. The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to sweet sorghum, hay, and grazing or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, or other commodity, if the Secretary determines that such production is needed to provide an adequate supply of such commodities, is not likely to increase the cost of any price-support program, and will not affect farm income adversely. In determining the amount of land to be devoted to conservation uses with respect to land that has been farmed under summer fallow practices, as defined by the Secretary, the Secretary shall consider the effects of soil erosion and such other factors as the Secretary considers appropriate. Any land devoted to conservation use may be used for wildlife food plots or wildlife habitat in conformity with standards established by the Secretary in consultation with wildlife agencies. The Secretary may pay an appropriate share of the cost of practices designed to carry out the purposes of the foregoing sentence. The Secretary may provide for an additional payment on such acreage in an amount determined by the Secretary to be appropriate in relation to the benefit to the general public if the producer agrees to permit, without other compensation, access to all or such portion of the farm as the Secretary may prescribe, by the general public, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations.

"(b)(1) The Secretary shall proclaim the program required under subsection (a) no later than June 1 of the calendar year preceding the calendar year in which the commodities covered by the program are harvested.

"(2) No later than July 1 following the proclamation of the program, the Secretary shall conduct a referendum, by secret ballot, among producers who will produce and harvest commodities covered by the program proclaimed under subsection (a), to determine whether the producers are in favor of or opposed to the program. The Secretary shall announce the results of the referendum within thirty days after the date on which it is held.

"(c) If more than 45 per centum of the producers voting in the referendum held under subsection (b) disapprove the program proclaimed under subsection (a), the Secretary shall announce that the program will not be in effect with respect to commodities covered by the program.

"(d)(1) If 55 per centum of the producers voting in the referendum held under subsection (b) approve the program proclaimed under subsection (a)—

"(A) the level of loans and purchases for commodities covered by the program shall be not less than—

"(i) $4.35 per bushel for wheat;

"(ii) $3 per bushel for corn;

"(iii) 71 cents per pound for upland cotton; and

"(iv) $9 per hundredweight for rice;

"(B) the established prices for commodities covered by the program shall not be less than—

"(i) $4.71 per bushel for wheat;

"(ii) $3.28 per bushel for corn;

"(iii) 83 cents per pound for upland cotton; and

"(iv) $11 per hundredweight for rice; and

"(C) a producer who does not comply with subsection (a)(2) may not be eligible, during the calendar year in which the commodity is harvested and during the immediately succeeding calendar year, for loans, purchases, payments, or other benefits under this Act or the Commodity Credit Corporation Charter Act.

"(2) The Secretary may provide by regulation for exceptions to paragraph (1)(C) for a producer who is able to establish to the satisfaction of the Secretary that the producer unintentionally or unknowingly did not comply with subsection (a)(2).

"(3) An operator of a farm desiring to participate in the program conducted under this section shall execute an agreement with the Secretary providing for such participation not later than such date as the Secretary may prescribe. The Secretary may, by mutual agreement with the producers on the farm, terminate or modify any such agreement if the Secretary determines such action necessary because of an emergency created by drought or other disaster or to prevent or alleviate a shortage in the supply of agricultural commodities.

"(e) The Secretary shall issue such regulations as may be necessary to carry out this section.".

SUBTITLE B—ACREAGE LIMITATION PROGRAM

WHEAT

SEC. 111. Effective for the 1984 and 1985 crops of wheat, section 107B of the Agricultural Act of 1949 (7 U.S.C. 1445b-1) is amended by—

(1) in subsection (c)(3), striking out "subsection (e)(2)" each place it appears and inserting in lieu thereof "subsection (e)(1)(B)";

(2) in subsection (e)—

(A) Amending paragraph (1)(A) to read as follows:

"(1)(A) If producers disapprove a national cropland conservation program proclaimed for a crop of commodities under section 107C and the Secretary determines that the carryover of wheat at the beginning of the marketing year that begins in the calendar year of the disapproval exceeds 5 per centum of the quantity of wheat consumed worldwide during the one-year period preceding the marketing year, then the Secretary shall establish an acreage limitation program for each of the 1984 and 1985 crops of wheat. The Secretary shall announce any such wheat acreage limitation program not later than August 15 prior to the calendar year in which the crop is harvested.";

(B) striking out paragraph (1)(B);

(C) in paragraph (2)—

(i) in the first sentence—

(I) striking out "paragraph (1) of this subsection" and inserting in lieu thereof "subparagraph (A)"; and

(II) inserting "of not less than 20 per centum" after "reduction";

(ii) in the third sentence, striking out "paragraph" and inserting in lieu thereof "subparagraph";

(iii) striking out the sixth sentence;

(iv) in the seventh sentence—

(I) striking out "(A)" and inserting in lieu thereof "(i)"; and

(II) striking out "(B)" and inserting in lieu thereof "(ii)";

(v) in the ninth sentence, striking out "paragraph (1) of this subsection" and inserting in lieu thereof "subparagraph (A)";

(vi) adding at the end thereof the following new sentence: "If an acreage limitation program is announced under subparagraph (A) for a crop of wheat, the Secretary shall make available loans and purchases for the crop under subsection (a) at a level that is equal to 105 per centum of the level that would have been established for the crop under such subsection but for the operation of this sentence."; and

(vii) redesignating such paragraph as subparagraph (B);

(D) striking out paragraph (3) and inserting in lieu thereof the following new subparagraph:

"(C) If an acreage limitation program is announced under subparagraph (A) for a crop of wheat, a producer may enter into an agreement with the Secretary under which—

"(i) the producer shall agree to withdraw from production (in addition to the acreage withdrawn from production under subparagraph (B)) and devote to conservation uses, in accordance with regulations issued by the Secretary, 15 per centum of the applicable acreage base established under subparagraph (B); and

"(ii) the Secretary shall agree to make available (in lieu of amounts made available under the last sentence of subparagraph (B)) loans and purchase to the producer for the crop under subsection (a) at a level that is equal to 115 per centum of the level that would have been established for the crop under subsection (a) (without regard to the last sentence of subparagraph (B)) but for the operation of this subparagraph.";

(E) in paragraph (4)—

(i) in the first sentence, striking out "paragraphs (2) and (3) of this subsection" and inserting in lieu thereof "subparagraphs (B) and (C)";

(ii) in the second sentence, striking out ", hay and grazing";

(iii) inserting after the second sentence the following: "The Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to hay and grazing.";

(iv) in the last sentence, striking out "or set-aside"; and

(v) redesignating such paragraph as subparagraph (D);

(F) in paragraph (5)—

(i) in the first sentence, striking out "or set-aside";

(ii) striking out the sixth through tenth sentences; and

(iii) redesignating such paragraph as paragraph (2);

(G) in paragraph (6)—

(i) in the first sentence, striking out ", set-aside acreage,"; and

(ii) redesignating such paragraph as paragraph (3); and

(H) redesignating paragraph (7) as paragraph (4); and

(3) in subsection (k), striking out "subsection (e)(2)" and all that follows through the end thereof and inserting in lieu thereof "subsection (e)(1)(A).".

FEED GRAINS

SEC. 112. Effective for the 1984 and 1985 crops of feed grains, section 105B of the Agricultural Act of 1949 (7 U.S.C. 1444d) is amended by—

(1) in subsection (c)(3), striking out "subsection (e)(2)" each place it appears and inserting in lieu thereof "subsection (e)(1)(b)";

(2) in subsection (e)—

(A) amending paragraph (1)(A) to read as follows:

"(1)(A) If producers disapprove a national cropland conservation program proclaimed for a crop of commodities under section 107C and the Secretary determines that the carryover of feed grains at the beginning of the marketing year that begins in the calendar year of the disapproval exceeds 18 per centum of the quantity of feed grains used domestically and for export by the United States during the one-year period preceding the marketing year, then the Secretary shall establish an acreage limitation program for each of the 1984 and 1985 crops of feed grains. The Secretary shall announce any such feed grain acreage limitation program not later than November 15 prior to the calendar year in which the crop is harvested.";

(B) striking out paragraph (1)(B);

(C) in paragraph (2)—

(i) in the first sentence—

(I) striking out "paragraph (1) of this subsection" and inserting in lieu thereof "subparagraph (A)"; and

(II) inserting "of not less than 20 per centum" after "reduction";

(ii) in the third sentence, striking out "paragraph" and inserting in lieu thereof "subparagraph";

(iii) in the fourth sentence, striking out "paragraph" and inserting in lieu thereof "subparagraph";

(iv) striking out the seventh sentence;

(v) in the eighth sentence—

(I) striking out "(A)" and inserting in lieu thereof "(i)"; and

(II) striking out "(B)" and inserting in lieu thereof "(ii)";

(vi) in the tenth sentence, striking out "paragraph (1) of the subsection" and inserting in lieu thereof "subparagraph (A)";

(vii) adding at the end thereof the following new sentence: "If an acreage limitation program is announced under subparagraph (A) for a crop of feed grains, the Secretary shall make available loans and purchases for the crop under subsection (a) at levels that are equal to 105 per centum of the level that would have been established for the crop under such subsection but for the operation of this sentence."; and

(viii) redesignating such paragraph as subparagraph (B);

(D) striking out paragraph (3) and inserting in lieu thereof the following new subparagraph:

"(C) if an acreage limitation program is announced under subparagraph (A) for a crop of feed grains, a producer may enter into an agreement with the Secretary under which—

"(i) the producer shall agree to withdraw from production (in addition to the acreage withdrawn from production under subparagraph (B)) and devote to conservation uses, in accordance with regulations issued by the Secretary, 10 per centum of the applicable acreage base established under subparagraph (B); and

"(i) the Secretary shall agree to make available (in lieu of amounts made available under the last sentence of subparagraph (B)) loans and purchases to the producer for the crop under subsection (a) at a level that is equal to 110 per centum of the level that would have been established for the crop under subsection (a) (without regard to the last sentence of subparagraph (B) but for the operation of this subparagraph.";

(E) in paragraph (4)—

(i) striking out "paragraphs (2) and (3) of this subsection" and inserting in lieu thereof "subparagraphs (B) and (C)"; and

(ii) redesignating such paragraph as subparagraph (D);

(F) in paragraph (5)—

(i) in the first sentence, striking out "or set-aside";

(ii) striking out the sixth through eleventh sentences; and

(iii) redesignating such paragraph as paragraph (2),

(G) in paragraph (6)—

(i) in the first sentence, striking out ", set-aside acreage,"; and

(ii) redesignating such paragraph as paragraph (3); and

(H) redesignating paragraph (7) as paragraph (4); and

(3) in subsection (k), striking out "subsection (e)(2)" and all that follows through the end thereof and inserting in lieu thereof "subsection (e)(1)(A).".

UPLAND COTTON

SEC. 113. Effective for the 1984 and 1985 crops of upland cotton, section 103(g)(9)(A) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)(9)(A)) is amended by—

(1) inserting "(1)" after the subparagraph designation;

(2) in the first sentence, striking out "the Secretary may" and all that follows through the end thereof and inserting in lieu thereof the following: "if producers disapprove a national cropland conservation program proclaimed for a crop of commodities under section 107C and the Secretary determines that the carryover of upland cotton at the beginning of the marketing year which begins in the calendar year of the disapproval exceeds four million two hundred thousand bales, then the Secretary shall establish an acreage limitation program for each of the 1984 and 1985 crops.";

(3) in the second sentence, inserting "of not less than 20 per centum" after "reduction";

(4) in the fourth sentence, striking out "subparagraph" and inserting in lieu thereof "clause";

(5) in the seventh sentence—

(A) striking out "(i)" and inserting in lieu thereof "(I)"; and

(B) striking out "(ii)" and inserting in lieu thereof "(II)";

(6) in the tenth sentence, striking out "paragraph" and inserting in lieu thereof "subparagraph";

(7) in the last sentence, striking out "paragraph" and inserting in lieu thereof "subparagraph";

(8) adding at the end thereof the following new sentence: "If an acreage limitation program is announced under this clause for a crop of upland cotton, the Secretary shall make available loans for the crop under paragraph (1) at a level that is equal to 110 per centum of the level that would have been established for the crop under such paragraph but for the operation of this sentence."; and

(9) adding at the end thereof the following new clause:

"(ii) If an acreage limitation program is announced under clause (i) for a crop of upland cotton, a producer may enter into an agreement with the Secretary under which—

"(I) the producer shall agree to withdraw from production (in addition to the acreage withdrawn from production under clause (i)) and devote to conservation uses, in accordance with regulations issued by the Secretary, 10 per centum of the applicable acreage base established under clause (i); and

"(II) the Secretary shall agree to make available (in lieu of amounts made available under the last sentence of clause (i)) loans to the producer for the crop under paragraph (1) at a level that is equal to 120 per centum of the level that would have been established for the crop under paragraph (1) (without regard to the last sentence of clause (i)) but for the operation of this clause.".

Subtitle C—Miscellaneous Conforming Amendments

SEC. 121. (a) Effective for the 1984 and 1985 crops of wheat, feed grains, upland cotton, and rice, section 1101(4) of the Agriculture and Food Act of 1981 (7 U.S.C. 1308(4)) is amended by striking out "a set-aside or" and inserting in lieu thereof "an".

(b) Section 113 of the Agricultural Act of 1949 (7 U.S.C. 1445h) is repealed.

(c) Section 1001 of the Food and Agriculture Act of 1977 (7 U.S.C. 1309) is repealed.

TITLE II—FARM STORAGE FACILITY LOAN PROGRAM

SEC. 201. The second sentence of section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)) is amended by inserting, before the period, a colon and the following: "*And provided further,* That the Corporation shall guarantee loans made by legally organized lending institutions to grain growers for the construction or purchase of facilities for the storage of grain harvested by the growers, except that no more than 90 per centum of the amount of principal and interest of any loan may be guaranteed and no more than $250,000,000 of the principal and interest may be guaranteed in the aggregate in any fiscal year".

TITLE III—BARTER OF AGRICULTURE COMMODITIES FOR STRATEGIC AND CRITICAL MATERIALS AND PETROLEUM PRODUCTS

BARTER OF AGRICULTURAL COMMODITIES

Sec. 301. Section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)) is amended by—

(1) in the third sentence—

(A) striking out "is authorized," and inserting in lieu thereof "shall, to the maximum extent practicable, in consultation with the Secretary of State, and"; and

(B) striking out "to";

(2) in the sixth sentence, striking out "Secretary of the Treasury" and inserting in lieu thereof "Administrator of General Services"; and

(3) inserting after the sixth sentence the following new sentences: "If the volume of petroleum products stored in the Strategic Petroleum Reserve is less than the level prescribed under section 154 of the Energy Policy and Conservation Act (42 U.S.C. 6234), the Corporation shall, to the maximum extent practicable, with the approval of the Secretary of Agriculture, and in consultation with the Secretary of Energy and the Secretary of State, accept petroleum products produced abroad in exchange for agricultural commodities acquired by the Corporation and shall transfer the petroleum products, without reimbursement, to the Secretary of Energy to be placed in the Reserve. In effecting exchanges under the preceding sentence, normal commercial trade channels shall be used insofar as practicable.".

REPORT

SEC. 302. No later than ninety days after the date of the enactment of this Act, the Secretary of Agriculture shall submit to Congress a report that contains a description of the status of programs, being carried out under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C.

714b(h)) and other provisions of law, that relate to the barter or exchange of commodities owned by the Commodity Credit Corporation for materials and products produced in foreign countries.

TITLE IV—EMERGENCY AGRICULTURAL CREDIT

SEC. 401. (a) The first sentence of section 202 of the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. prec. 1961 note) is amended by striking out "may" and inserting in lieu thereof "shall".

(b) Section 211 of the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. prec. 1961 note) is amended by—

(1) striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1985"; and

(2) immediately after "$600,000,000", inserting a comma and "except that, in fiscal year 1983, such $600,000,000 shall be in addition to the total amount of money borrowed under contracts of guarantee entered into under the authorization provided in the Act of December 18, 1982 (Public Law 97-370, 96 Stat. 1799)".

(c) The first sentence of section 329 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1970) is amended by striking out "30 per centum" and inserting in lieu thereof "20 per centum".

TITLE V—AGRICULTURAL EXPORTS

AGRICULTURAL EXPORT CREDIT REVOLVING FUND

SEC. 501. It is the sense of Congress that in fiscal year 1983 not less than $1,000,000,000 should be made available to the agricultural export credit revolving fund established under section 4(d) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(d)).

GRAIN SALES TO UNION OF SOVIET SOCIALIST REPUBLICS

SEC. 502. It is the sense of Congress that, as soon as practicable after the date of the enactment of this Act, the President should take action to initiate negotiations with the Government of the Union of Soviet Socialist Republics to conclude a multiyear agreement under which such Government would purchase grain produced in the United States.

TITLE VI—WHITE HOUSE CONFERENCE ON AGRICULTURE

SEC. 601. (a) It is the sense of Congress that the President should—

(1) convene a White House Conference on Agriculture, no later than one year after the date of the enactment of this Act, to study current problems in the agricultural sector of the economy and to develop recommendations for legislation and administrative action regarding short-term and long-term solutions to such problems; and

(2) appoint members of the White House Conference on Agriculture from among—

(A) heads of organizations comprised of producers of agicultural commodities.

(B) representatives of the banking industry,

(C) representatives of businesses that provide services, or produce goods, used by producers of agricultural commodities,

(D) heads of organizations representing the interests of consumers, and

(E) producers of agricultural commodities.

(b) If the President convenes a White House Conference on Agriculture, the Conference shall submit a report to the President and to Congress, no later than one year after the members of the Conference are first appointed, containing the recommendations developed through the Conference, as provided in subsection (a) of this section.

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions
of Titles III and V of S. 124
Emergency Farm Relief Act of 1983

Title III of S. 124, introduced by Senator Zorinsky would:

1. Require the Commodity Credit Corporation, to the maximum extent practicable, in consultation with the Secretary of State, to use CCC commodities to barter for strategic and critical materials.

2. Provide that if the volume of petroleum products stored in the Strategic Petroleum Reserve is less than the level prescribed by law, CCC must, to the maximum extent practicable, with approval of the Secretary of Agriculture and in consultation with the Secretary of Energy and the Secretary of State, accept petroleum products in exchange for CCC commodities and must transfer such products, without reimbursement, to the SPR.

3. Require the Secretary of Agriculture, within 90 days after enactment of the bill, to report to Congress on the status of the programs carried out by CCC relating to the barter or exchange of commodities owned by CCC for materials and products produced in foreign countries.

Title V of S. 124 would:

1. Express the sense of Congress that, as soon as practicable after enactment of the bill, the President should initiate negotiations with the Soviet Union to conclude a multiyear agreement for the purchase of U.S. grain by the Soviet Union.

2. Express the sense of Congress that in fiscal year 1983 not less than $1 billion should be made available to the Agricultural Export Credit Revolving Fund established under section 4(d) of the Food for Peace Act of 1966.

II

98TH CONGRESS
1ST SESSION

S. 251

To require the export sale of Commodity Credit Corporation owned dairy products, expand markets for United States agricultural commodities, expand authority for the use abroad of Commodity Credit Corporation stocks, require the Secretary of Agriculture to report on the use of export subsidies by foreign nations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 27 (legislative day, JANUARY 25), 1983

Mr. HELMS (for himself, Mr. ZORINSKY, Mrs. HAWKINS, Mr. WILSON, Mr. GRASSLEY, and Mr. COHEN) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To require the export sale of Commodity Credit Corporation owned dairy products, expand markets for United States agricultural commodities, expand authority for the use abroad of Commodity Credit Corporation stocks, require the Secretary of Agriculture to report on the use of export subsidies by foreign nations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Export Equity Act of 1983".

EXPORT SALE OR DAIRY PRODUCTS

SEC. 2. The Secretary of Agriculture shall sell for export at such prices as the Secretary determines appropriate, but not less than the minimum prices applicable under the International Dairy Arrangement, not less than 150,000 metric tons of dairy products owned by the Commodity Credit Corporation in each of the fiscal years ending September 30, 1983, September 30, 1984, and September 30, 1985. Such sales shall be made through the Commodity Credit Corporation under existing authorities available to the Secretary or the Commodity Credit Corporation. The Secretary shall report on a semiannual basis to the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture on the status of sales made pursuant to this section.

AGRICULTURAL EXPORT PROMOTION

SEC. 3. Section 135 of the Omnibus Budget Reconciliation Act of 1982 (7 U.S.C. 612c note) is amended by—

(1) inserting "(a)" immediately after "SEC. 135.";

(2) deleting the second and third sentences thereof; and

(3) adding at the end thereof the following new subsections:

"(b) Effective for each of the fiscal years ending September 30, 1983, September 30, 1984, and September 30, 1985, the Secretary of Agriculture shall use, in addition to the amounts specified in subsection (a) of this section, funds of the Commodity Credit Corporation in an amount equal to one-half of the proceeds from the sale of dairy products during each such fiscal year, respectively, under section 2 of the Agricultural Export Equity Act of 1983, for export assistance for United States agricultural commodities and the products thereof to equalize the price and credit subsidies of other nations on their agricultural exports. For the purposes of this subsection and of subsection (c) of this section, the term "export assistance" shall be limited to payments, or such other means as are determined appropriate by the Secretary, to reduce the price of such commodities and the products thereof sold for export or to reduce the effective rate of interest charged for credit in connection with such export sales. The Secretary shall provide export assistance under this subsection using the provisions of law in effect on the date of enactment of this subsection.

"(c) Effective only with respect to the fiscal year ending September 30, 1983, in carrying out the provisions of subsection (a) of this section the Secretary of Agriculture—

"(1) shall use Commodity Credit Corporation funds in the amount of $190,000,000; and

"(2) shall use the funds available as of the date of enactment of this subsection, for export assistance in connection with value-added or high-value agricultural products produced in the United States: *Provided*, That, of such funds, at least $20,000,000 shall be used by the Secretary for export assistance for United States poultry and eggs.

"(d) The Secretary of Agriculture shall carry out the program authorized by this section through the Commodity Credit Corporation.

"(e) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.".

EXPANDED MARKETS FOR U[illegible]ATES AGRICULTURAL COMMODITIES AND PRODUCTS

SEC. 4. (a) Notwithstanding any other provision of law, the Secretary of Agriculture may formulate and carry out a program under which agricultural commodities, including but not limited to wheat, feed grains, upland cotton, and rice, and the products thereof acquired by the Commodity Credit Corporation are provided to United States exporters and users and foreign purchasers at no cost to encourage the development, maintenance, and expansion of export markets for United States agricultural commodities and the products thereof.

(b) In carrying out the program authorized by this section, the Secretary of Agriculture—

(1) shall take such action as may be necessary to ensure that the program provides equal treatment to domestic and foreign purchasers and users of United States agricultural commodites in any case in which the importation of a manufactured product made, in whole or in part, from a commodity made available for export under this section would place domestic users of the commodity at a competitive disadvantage;

(2) shall, to the extent that agricultural commodities and products thereof are to be provided to foreign purchasers during any fiscal year, consider for participation all interested foreign purchasers giving priority to those who have traditionally purchased United States agricultural commodities and products thereof and who continue to purchase such commodities and products thereof on an annual basis in quantities greater than the level of purchases in a previous representative period;

(3) shall ensure, insofar as possible, that any use of Commodity Credit Corporation stocks under this section be made in such manner as to encourage increased use and avoid displacing usual marketings of

United States agricultural commodities and products thereof; and

(4) shall take reasonable precautions to prevent the resale or transshipment to other nations, or use for other than domestic use in the nation to which stocks of the Commodity Credit Corporation are shipped, of stocks made available under this section.

(c) In any case in which a foreign purchaser sells in the importing country commodities or products thereof received from the Secretary of Agriculture, under the authority of subsection (a) of this section, and uses the receipts from the sale of such commodities or products thereof for the construction or rehabilitation of facilities in the importing country to improve the handling, marketing, processing, storage, or distribution of United States agricultural commodities or products thereof in such importing country, such purchaser shall be eligible to receive bonus distributions of commodities or products thereof acquired by the Commodity Credit Corporation from the Secretary. Bonus distributions under this paragraph shall be made with such commodities or the products thereof, at such intervals, and in such amounts as the Secretary determines appropriate taking into account the extent to which facility improvements have been made, the capability of the importing country to distribute or otherwise use additional commodities, and such other factors as determined appropriate by the Secretary that are consistent with the purposes and objectives of this section.

(d) The Secretary of Agriculture shall carry out the program authorized by this section through the Commodity Credit Corporation.

(e) The Secretary of Agriculture may issue such regulations as the Secretary deems necessary to carry out this section.

(f) The authority provided in this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.

EXPANDED AUTHORITY FOR THE USE ABROAD OF COMMODITY CREDIT CORPORATION STOCKS

SEC. 5. Section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) is amended by striking out the last two sentences and inserting in lieu thereof the following: "Such dairy products and other agricultural commodities and products thereof acquired by the Commodity Credit Corporation may also be donated through foreign governments and to public and nonprofit private humanitarian organizations for the barter, sale, and direct distribution of such commodities for the assistance of needy persons outside the United States, and the Commodity Credit Corporation may pay, with respect to commodities and products thereof so donated, reprocessing, packaging, transporting, handling, and other charges, including the cost of overseas delivery. The proceeds and services realized from the sale and barter of such dairy products and other commodities and products thereof by public and nonprofit private humanitarian organizations shall be used exclusively for assistance to needy people. No portion of the proceeds or services realized by sale or barter may be used by these organizations to meet their operating and overhead expenses. To ensure that any such donations for use outside the United States complement, and are coordinated with, other United States foreign assistance, such donations shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954 and shall be in addition to the level of assistance programed under that Act.".

EXPANDED AUTHORITY FOR THE USE OF COMMODITY CREDIT CORPORATION STOCKS UNDER PUBLIC LAW 480

SEC. 6. Title I of the Agricultural Trade Development and Assistance Act of 1954 is amended by adding at the end thereof the following new section:

"SEC. 116. Notwithstanding any other provision of law, the President may use agricultural commodities and products thereof acquired by the Commodity Credit Corporation to increase the level of agricultural exports under titles I and III of this Act consistent with the purposes of this Act: *Provided*, That the use of Commodity Credit Corporation stocks under this section shall be in addition to the level of assistance programed under this Act and shall be subject to the provisions of section 103 of this Act.".

REPORT OF THE SECRETARY OF AGRICULTURE ON THE USE OF EXPORT SUBSIDIES

SEC. 7. (a) Not later than July 1, 1983, the Secretary of Agriculture, in consultation with the United States Trade Representative, shall submit to the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture a report on the use of export subsidies by foreign nations competing with the United States for world markets in connection with trade in agricultural commodities and the products thereof. The report shall include, but need not be limited to—

(1) a listing of each country or organization of countries using export subsidies for agricultual commodities and the products thereof traded in world markets;

(2) in the case of each country or organization listed under clause (1), a description of the nature of the subsidies being used by that country or organization, the extent of subsidization, and the specific commodities and products involved; and

(3) an analysis of the effect of such subsidies on the economy of the United States, and in particular the impact on the agricultural sector of the economy, including the extent to which such subsidies have resulted in the reduction or loss of foreign sales of United States agricultural commodities and products thereof during the ten-year period prior to enactment of this section.

(b) For purposes of subsection (a) of this section, the term "export subsidies" means the use by any foreign country or organization of foreign countries, or instrumentality thereof, of any payments to producers, exporters, foreign purchasers, or lenders, or other means used, in connection with the export sale of agricultural commodities or products thereof, produced in such country or organization of countries, that have the effect of (1) lowering the export price of such commodities or products thereof below the level at which they could otherwise be sold to cover the production and processing costs of such commodities or products thereof in such country, or (2) lowering the interest costs or other carrying charges below the level at which such costs or charges would otherwise be incurred.

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of S. 251
Agricultural Export Equity Act of 1983

S. 251, introduced by Senator Helms, would:

1. Require the Secretary of Agriculture to sell for export, at not less than the minimum prices established in the International Dairy Arrangement, Commodity Credit Corporation dairy stocks of at least 150,000 metric tons in each of the fiscal years 1983, 1984, and 1985.

2. Require the Secretary of Agriculture in each of fiscal years 1983, 1984, and 1985 to use CCC funds equal to one-half of the proceeds from the sale of dairy products under item 1 during each such fiscal year for export assistance for U.S. agricultural commodities and products to equalize the price and credit subsidies of other nations on their agricultural exports.

3. For fiscal year 1983 require (a) the use of the full $190 million available for export promotion activities under section 135 of the Omnibus Budget Reconciliation Act of 1982, and (b) use of the remaining funds available for fiscal year 1983 ($90 million) for price or credit subsidies for exports of value-added or high-valued agricultural products produced in the United States, with at least $20 million to be used for U.S. poultry and eggs.

4. Provide that agricultural commodities and products acquired by CCC may be tendered at no cost to exporters, users, and foreign purchasers to encourage foreign market development for U.S. commodities. Under the export "PIK" program--

   * domestic users must be provided equal treatment relative to foreign purchasers and users in cases where domestic users may be disadvantaged as a result of the program;

   * all interested foreign purchasers are to be considered for participation, with priority given to those who have traditionally purchased U.S. agricultural commodities and who continue to make such purchases in excess of purchases during a representative period;

   * CCC commodities must be used to encourage increased use and avoid displacing usual marketings of the United States;

   * reasonable precautions must be taken to prevent resale or transshipment of commodities; and

   * bonus distributions of commodities may be made to foreign purchasers who sell the commodities in the importing country and use the proceeds for the construction or rehabilitation of facilities in the importing country to improve the marketing, storage, or

distribution of U.S. agricultural commodities in the importing country.

5. Expand current authority in section 416 of the Agriculture Act of 1979 (to donate stocks of dairy products to needy persons in foreign countries) to include donations of other CCC agricultural commodities and products thereof, and to permit the sale and use for barter of such commodities and products by the recipients for the benefit of needy persons.

6. Authorize the use of CCC commodities under titles I and III of Public Law 480 in addition to programmed levels.

7. Require the Secretary of Agriculture to report to the Senate and House agriculture committees by July 1, 1983, on the use of export subsidies by foreign countries competing in world trade in agricultural commodities with the United States.

II

98TH CONGRESS
1ST SESSION

S. 398

To promote additional export sales of agricultural commodities, through an export credit revolving fund, in at least direct proportion to acreage reduction efforts and to establish authority for bonus commodity export sales.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 2 (legislative day, JANUARY 25), 1983

Mr. ABDNOR introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To promote additional export sales of agricultural commodities, through an export credit revolving fund, in at least direct proportion to acreage reduction efforts and to establish authority for bonus commodity export sales.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Export Recovery Act of 1983".

SEC. 2. (a) There is hereby established within the Commodity Credit Corporation a fund to be known as the Agricultural Export Sales Revolving Fund (hereinafter referred to as the "fund") which shall be available for the promotion of agricultural commodity exports as authorized by law.

(b) There shall be available to the "fund", out of any funds authorized, an amount equal to the aggregate amount of payments made or projected to be made to producers under the land diversion programs for the 1983 crops of wheat, feed grains, upland cotton, and rice under section 107B(e)(5), 105B(e)(5), 103(g)(9)(B), and 101(i)(5)(B) of the Agricultural Act of 1949.

(c) From the funds authorized to the Commodity Credit Corporation, the Board of Directors shall credit to the "fund", an amount at least equal to the total payments made or projected to be made, to participating producers under the programs referred to in subsection (b). Such credit may include repayments of principal or interest on export credit loans made by the Commodity Credit Corporation, and unexpended balances of funds heretofore provided by the Congress for export credit loans under Public Law 97–253 and Public Law 97–370.

(d) The authority provided under this section shall be in addition to, and not in lieu of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.

SEC. 3. Notwithstanding any other provision of law, the Secretary of Agriculture is authorized to make commodities owned by the Commodity Credit Corporation available for export on such terms and conditions as he determines appropriate in order to encourage increased exports of agricultural commodities on a commercial basis.

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of S. 398
Agricultural Export Recovery Act of 1983

S. 398, introduced by Senator Abdnor, would:

1. Establish within the Commodity Credit Corporation the Agricultural Export Sales Revolving Fund which would be available for the promotion of agricultural commodity exports as authorized by law.

   *The fund would be composed of an amount equal to the aggregate payments made or projected to be made to producers under the land diversion programs for the 1983 crops of wheat, feed grains, upland cotton, and rice.

   *Repayments of principal or interest on export credit loans made by CCC and unexpended balances of funds provided by Congress for export credit loans under the Omnibus Budget Reconciliation Act of 1982 and the agriculture appropriations act for fiscal year 1983 could also be credited to the Fund.

2. Authorize the Secretary of Agriculture to make commodities owned by the Commodity Credit Corporation available for export on such terms and conditions as the Secretary determines appropriate in order to encourage increased exports of agricultural commodities on a commercial basis.

II

98TH CONGRESS
1ST SESSION

S. 490

To amend the Agricultural Trade Development and Assistance Act of 1954 to improve certain agricultural commodity donation programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 16 (legislative day, FEBRUARY 14), 1983

Mr. DIXON (for himself, Mr. HUDDLESTON, Mr. JEPSEN, Mr. DOLE, and Mr. BURDICK) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To amend the Agricultural Trade Development and Assistance Act of 1954 to improve certain agricultural commodity donation programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Commodity Donation Act of 1983".

FAMINE RELIEF

SEC. 2. (a) Section 201 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721) is amended by adding at the end thereof the following new subsection:

"(c)(1) In distributing agricultural commodities under this title, the President shall consider the nutritional assistance to recipients and value added benefits to the United States which would result from distributing such commodities in the form of processed and protein fortified products of such commodities.

"(2) In distributing agricultural commodities under this title, the President shall take all feasible steps to assure that approximately 55 to 60 per centum of the total actual tonnage of such commodities distributed in each fiscal year (excluding conversion for grain equivalency) be in the form of processed and protein fortified products of such commodities. In selecting commodities to meet the tonnage target specified in this paragraph, the President shall consider the nutritional needs of the proposed recipients of the commodities and the purposes of this title.".

(b) Section 202(b) of such Act (7 U.S.C. 1722(b)) is amended by adding at the end thereof the following new paragraph:

"(4) In utilizing nonprofit voluntary agencies to distribute food commodities under this title, the President shall consider any nutritional and developmental objectives as established by such agencies that are based on their assessment of the needs of the people assisted.".

FOOD FOR DEVELOPMENT PROGRAMS

SEC. 3. Section 302 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1727a) is amended—

(1) by inserting "and of United States nonprofit voluntary agencies and cooperatives" after "agriculture" in subsection (c)(4);

(2) by adding at the end of subsection (c) the following new paragraph:

"(5)(A) The President shall, to the extent feasible, ensure that the aggregate value of all agreements entered into under this title in a fiscal year equals approximately 17 to 20 per centum of the aggregate value of all agreements entered into under title I of this Act for such fiscal year.

"(B) If the aggregate value target specified in subparagraph (A) is not reached for a fiscal year, the President shall submit to Congress a detailed statement of the reasons for the lack of acceptable agricultural and rural development projects which qualify for assistance under this title and a detailed description of the efforts of the United States Government to assist eligible countries, pursuant to section 303(a), in identifying appropriate projects for assistance under this title."; and

(3) by adding at the end thereof the following new subsection:

"(d)(1) In order to help lessen the severity of food shortages in famine-prone countries, the agreements entered into under this title shall provide, to the extent feasible, that commodities made available under such agreements, or funds generated from the sale of such commodities in participating countries, will be used at the farm and village level in famine-prone countries, especially countries in sub-Saharan Africa, to establish rural projects that—

"(A) emphasize postharvest food conservation; and

"(B) provide, to the maximum extent feasible, for participation in the development and administration of such projects by a representative number of the intended project beneficiaries.

"(2) Agreements entered into under this title to establish rural projects described in paragraph (1) shall specify the measures to be taken to—

"(A) implement the requirements contained in paragraph (1); and

"(B) ensure that commodities made available under such agreements and funds generated from the sale of such commodities are used primarily to benefit the poor in participating countries.".

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of S. 490
Agricultural Commodity Donation Act of 1983

S. 490, introduced by Senator Dixon, would:

1. Provide that in distributing agricultural commodities under title II of P.L. 490, the President shall--

   * consider the nutritional assistance to recipients and the value-added benefits to the United States which would result from providing processed and protein fortified products,

   * take all feasible steps to assure that approximately 55 to 60 percent of the total actual tonnage of such commodities distributed in each fiscal year are processed and protein fortified products, and

   * consider the nutritional needs of the proposed recipients of donated commodities and the purposes of title II in selecting commodities for distribution.

2. Require the President, in using nonprofit voluntary agencies to distribute commodities under title II, to give consideration to any nutritional and developmental objectives established by those agencies based on their assessment of the needs of the recipients.

3. Require that the President give consideration to using the capability and expertise of U.S. nonprofit voluntary agencies and cooperatives in developing and carrying out Food for Development Programs under title III of P.L. 480.

4. Increase the minimum required level for P.L. 480 title III projects to approximately 17 to 20 percent of the title I agreements for the fiscal year and require the President, if the target level is not reached, to report to Congress the reasons why there were not an adequate number of acceptable projects for title III agreements and the efforts by the U.S. to assist eligible countries in identifying appropriate projects for title III assistance.

5. Require that agreements entered into under title III of P.L. 480 each year must provide, to the extent feasible, that the commodities made available or the funds generated from the sale of commodities made available under the agreements be used at the farm and village level in famine-prone countries, particularly in sub-Saharan Africa, to establish rural projects emphasizing post-harvest food conservation and providing for the maximum feasible participation in development and administration of projects by the intended beneficiaries of the projects. Agreements entered into to carry out such rural projects must specify the measures to be taken to implement the specified requirements and to ensure that the commodities being provided, and funds generated from the sale of such commodities, will be used primarily to benefit the poor.

II

98TH CONGRESS
1ST SESSION

S. 575

To provide emergency price and income assistance to United States farmers so as to assure consumers an adequate supply of food and fiber at reasonable prices, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 23, 1983

Mr. BOREN introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To provide emergency price and income assistance to United States farmers so as to assure consumers an adequate supply of food and fiber at reasonable prices, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Emergency Agricultural Adjustment Act of 1983".

TITLE I—WHEAT

WHEAT LOANS

Sec. 101. Effective for the 1984 and 1985 crops of wheat, section 107B(a) of the Agricultural Act of 1949 (7 U.S.C. 1445b–1(a)) is amended to read as follows:

"(a) The Secretary shall make available to producers loans and purchases for each of the 1984 and 1985 crops of wheat at such level, not less than $4.22 per bushel, as the Secretary determines will maintain the competitive relationship of wheat to other grains in domestic and export markets after taking into consideration the cost of producing wheat, supply and demand conditions, and world prices for wheat.".

WHEAT TARGET PRICES

Sec. 102. Section 107B(b)(1)(C) of the Agricultural Act of 1949 (7 U.S.C. 1445b–1(b)(1)(C)) is amended by striking out "$4.45 per bushel for the 1984 crop, and $4.65 per bushel for the 1985 crop" and inserting in lieu thereof "$4.60 per bushel for the 1984 crop, and $4.75 per bushel for the 1985 crop".

ACREAGE REDUCTION PROGRAM AND PAID DIVERSION FOR THE 1984 AND 1985 CROPS OF WHEAT

Sec. 103. Section 107B(e) of the Agricultural Act of 1949 (7 U.S.C. 1445b–1(e)) is amended by—

(1) in paragraph (1)—

(A) in the first sentence of subparagraph (A), striking out "subparagraph (B)" and inserting in lieu thereof "subparagraphs (B), (C), and (D)"; and

(B) adding at the end thereof new subparagraphs (C) and (D) as follows:

"(C) For the 1984 crop of wheat, the Secretary shall provide for a combination of (i) an acreage limitation program as described under paragraph (2) and (ii) a diversion program as described under paragraph (5) under which, for participating producers, the acreage on the farm planted to wheat for harvest shall be limited to the wheat acreage base for the farm, as determined under paragraph (2) of this subsection, reduced by a total of not less than 30 per centum, consisting of a reduction of 50 per centum of such amount under the acreage limitation program and a reduction of 50 per centum of such amount under the diversion program. As a condition of eligibility for loans, purchases, and payments on the 1984 crop of wheat, the producers on a farm must comply with the terms and conditions of the combined acreage limitation program and diversion program.

"(D) For the 1985 crop of wheat, the Secretary shall provide for an acreage reduction program if the

Secretary determines that the total supply of wheat available during the marketing year for the 1985 crop of wheat will, in the absence of such program, exceed by more than 25 per centum the quantity the Secretary estimates will be used domestically and for export during the marketing year for such crop. Under such an acreage reduction program, the Secretary shall provide for a combination of (i) an acreage limitation program as described under paragraph (2) and (ii) a diversion program as described under paragraph (5) under which, for participating producers, the acreage on the farm planted to wheat for harvest shall be limited to the wheat acreage base for the farm, as determined under paragraph (2) of this subsection, reduced by such total percentage as the Secretary determines necessary, such total percentage consisting of a reduction of 50 per centum of such amount (or such greater percentage as the Secretary determines necessary) under the diversion program and a reduction of 50 per centum of such amount (or such lesser percentage as the Secretary determines necessary) under the acreage limitation program. The Secretary shall, in establishing the total percentage of acreage on farms planted to wheat for harvest to be reduced, set the percentage at a level sufficient to ensure that the total supply of wheat available during the marketing year for the 1985 crop of wheat will be no more than 125 per centum of the quantity the Secretary estimates will be used domestically and for export during the marketing year for such crop. As a condition of eligibility for loans, purchases, and payments on the 1985 crop of wheat, the producers on a farm must comply with the terms and conditions of the combined acreage limitation program and diversion program.";

(2) in paragraph (2), inserting immediately after the sixth sentence the following: "Notwithstanding any other provision of this paragraph, for the 1984 and 1985 crop years, the acreage base for any farm for the purpose of determining any reduction required to be made for the 1984 crop or the 1985 crop as the result of a limitation under this subsection shall be the average acreage planted on the farm to wheat for harvest in two of the three crop years immediately preceding the year for which the determination is made. The producer shall have the option of determining which two years will be used for the determination of the average acreage for the farm. For the purpose of the two preceding sentences, acreage planted to wheat for harvest shall include any acreage not planted to wheat for the purpose of participating in any acreage reduction pro-

gram authorized under this Act, any acreage which the producers were prevented from planting to wheat or other nonconserving crop in lieu of wheat because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The Secretary shall make adjustments to reflect established crop rotation practices and summer fallowing, and the Secretary may make adjustments to reflect such other factors as he determines should be considered in determining a fair and equitable base. Where practicable, the Secretary may allow the consolidation of base acreages among farms to encourage participation in acreage reduction programs.";

(3) in paragraph (4), inserting immediately after the second sentence the following: "Notwithstanding any other provision of this paragraph, the Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the reduced acreage to be devoted to hay and grazing."; and

(4) in paragraph (5)—

(A) in the first sentence, striking out "The Secretary may" and inserting in lieu thereof: "Except as otherwise provided in this paragraph for the 1983, 1984, and 1985 crops of wheat, the Secretary may"; and

(B) adding at the end thereof the following: "Notwithstanding the foregoing provisions of this paragraph, the Secretary shall implement a land diversion payment program for the 1984 crop of wheat under which the Secretary shall make crop retirement and conservation payments to any producer of the 1984 crop of wheat whose farm acreage planted to wheat for harvest is reduced so that it does not exceed the wheat acreage base for the farm less an amount equivalent to 15 per centum of the wheat acreage base (or such greater percentage as the Secretary may prescribe) in addition to the reduction under the acreage limitation program for the crop under paragraph (2) of this subsection, and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction from the wheat acreage base required under this sentence. Such payments shall be made in an amount computed by multiplying (i) the diversion payment rate, by (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under the preceding sentence. The diversion payment rate shall be established by the Secretary at not less than $3.25 per bushel. The Secretary shall, upon the request of a participating producer, make all or any part of the diversion payment available to the producer in commodities rather than in cash: *Provided,* That, if Commodity Credit Corporation stocks of wheat are not readily available to effect full payment in kind to a producer participating in the program, the Secretary may substitute fully or partially payment in cash for payment in kind. If payment in kind is made as provided in this paragraph, such payments shall be made in an amount computed by multiplying (i) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop by (ii) the additional acreage diverted under this paragraph. For the 1985 crop of wheat, if the Secretary determines that an acreage reduction program will be required, as provided in paragraph (1)(D) of this subsection, notwithstanding the foregoing provisions of this paragraph, the Secretary shall implement a land diversion payment program for the 1985 crop of wheat under which the Secretary shall make crop retirement and conservation payments to any producer of the 1985 crop of wheat whose farm acreage planted to wheat for harvest is reduced so that it does not exceed the wheat acreage base for the farm less that per centum of the wheat acreage base that is equal to 50 per centum (or such greater percentage as the Secretary may prescribe) of the overall reduction in acreage planted to wheat required under the acreage reduction program, as provided under paragraph (1)(D) of this subsection, in addition to the reduction under the acreage limitation program for the crop under paragraph (2) of this subsection, and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction from the wheat acreage base required under this sentence. Such payments shall be made in an amount computed by multiplying (i) the diversion payment rate, by (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under the preceding sentence. The diversion payment rate shall be established by the Secretary at not less than $3.25 per bushel. The Secretary shall, upon the request of a participating producer, make all or any part of the diversion payment available to the producer in commodities rather than in cash: *Provided*, That, if Commodity Credit Corporation stocks of wheat are not readily available to effect full payment in kind to a producer participating in the program, the Secretary may substitute fully or partially, payment in cash for payment in kind. If payment in kind is made as provided in this paragraph, such payments shall be in an amount computed by multiplying (i) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop by (ii) the additional acreage diverted under this paragraph. Notwithstanding any other provision of law, in cases where a producer practices double cropping, and where participation in this program for one commodity reduces the acreage that may be planted to the second commodity, the Secretary shall make equitable adjustments in the payment made under this section to account for the reduction in the second commodity.".

WHEAT DISASTER PAYMENTS

SEC. 104. Effective on enactment through the end of the 1985 crops, section 107B(B)(2) of the Agricultural Act of 1949 (7 U.S.C. 1445b-1(b)(2)) is amended by—

(1) in subparagraph (A), in the first sentence striking out "Except as provided in subparagraph (C) of this paragraph, if" and inserting in lieu thereof "If";

(2) in subparagraph (C) inserting "reduced yield" immediately before "disaster payments"; and

(3) in subparagraph (D)—

(A) inserting "reducing yield" immediately before "disaster payments"; and

(B) in clause (i), striking out "either from being prevented from planting wheat or nonconserving crop or".

TITLE II—FEED GRAINS

FEED GRAIN LOANS

SEC. 201. Effective for the 1984 and 1985 crops of feed grains, section 105B(a)(1) of the Agricultural Act of 1949 (7 U.S.C. 1444d(a)(1)) is amended to read as follows:

"(a) The Secretary shall make available to producers loans and purchases for each of the 1984 and 1985 crops of corn at such level, not less than $2.84 per bushel, as the Secretary determines will encourage the exportation of feed grains and not result in excessive total stocks of feed grains after taking into consideration the cost of producing corn, supply and demand conditions, and world prices for corn.".

FEED GRAIN TARGET PRICES

SEC. 202. Section 105B(b)(1)(C) of the Agricultural Act of 1949 (7 U.S.C. 1444d(b)(1)(C)) is amended by striking out "$3.03 per bushel for the 1984 crop, and $3.18 per bushel for the 1985 crop" and inserting in lieu thereof "$3.08 per bushel for the 1984 crop, and $3.23 per bushel for the 1985 crop".

ACREAGE REDUCTION PROGRAM AND PAID DIVERSION FOR THE 1984 AND 1985 CROPS OF FEED GRAINS

SEC. 203. Section 105B(e) of the Agricultural Act of 1949 (7 U.S.C. 1444d(e)) is amended by—

(1) in paragraph (1)—

(A) in the first sentence of subparagraph (A), striking out "subparagraph (B)" and inserting in lieu thereof "subparagraphs (B), (C), and (D)"; and

(B) adding at the end thereof new subparagraphs (C) and (D) as follows:

"(C) For the 1984 crop of feed grains, the Secretary shall provide for a combination of (i) an acreage limitation program as described under paragraph (2) and (ii) a diversion program as described under paragraph (5) under which, for participating producers, the acreage on the farm planted to feed grains for harvest shall be limited to the feed grain acreage base for the farm, as determined under paragraph (2) of this subsection, reduced by a total of not less than 20 per centum, consisting of a reduction of 50 per centum of such amount under the acreage limitation program and a reduction of 50 per centum of such amount under the diversion program. As a condition of eligibility for loans, purchases, and payments on the 1984 crop of feed grains, the producers on a farm must comply with the terms and conditions of the combined acreage limitation program and diversion program.

"(D) For the 1985 crop of feed grains, the Secretary shall provide for an acreage reduction program if the Secretary determines that the total supply of feed grains available during the marketing year for the 1985 crop of feed grains will, in the absence of such program, exceed by more than 25 per centum the quantity the Secretary estimates will be used domestically and for export during the marketing year for such crop. Under such an acreage reduction program, the Secretary shall provide for a combination of (i) an acreage limitation program as described under paragraph (2) and (ii) a diversion program as described under paragraph (5) under which, for participating producers, the acreage on the farm planted to feed grains for harvest shall be limited to the feed grain acreage base for the farm, as determined under paragraph (2) of this subsection, reduced by such total percentage as the Secretary determines necessary, such total percentage consisting of a reduction of 50 per centum of such amount (or such greater percentage as the Secretary determines necessary) under the diversion program and a reduction of 50 per centum of such amount (or such lesser percentage as the Secretary determines necessary) under the acreage limitation program. The Secretary shall, in establishing the total percentage of acreage on farms planted to feed grains for harvest to be reduced, set the percentage at a level sufficient to ensure that the total supply of feed grains available during the marketing year for the 1985 crop of feed grains will be no more than 125 per centum of the quantity the Secretary estimates will be used domestically and for export during the marketing year for such crop. As a condition of eligibility for loans, purchases, and payments on the 1985 crop of feed grains, the producers on a farm must comply with the terms and conditions of the combined acreage limitation program and diversion program.";

(2) in paragraph (2), inserting immediately after the seventh sentence the following: "Notwithstanding any other provision of this paragraph, for the 1984 and

1985 crops, the acreage base for any farm for the purpose of determining any reduction required to be made for the 1984 crop or the 1985 crop as the result of a limitation under this subsection shall be the average acreage planted on the farm to feed grains for harvest in two of the three crop years immediately preceding the year for which the determination is made. The producer shall have the option of determining which two years will be used for the determination of the average acreage for the farm. For the purpose of the two preceding sentences, acreage planted on the farm to feed grains for harvest shall include any acreage not planted to feed grains for the purpose of participating in any acreage reduction program authorized under this Act, any acreage which the producers were prevented from planting to feed grains or other nonconserving crop in lieu of feed grains because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The Secretary shall make adjustments to reflect established crop-rotation practices and the Secretary may make adjustments to reflect such other factors as he determines should be considered in determining a fair and equitable base. Where practicable, the Secretary may allow the consolidation of base acreages among farms to encourage participation in acreage reduction programs.";

(3) in paragraph 4, inserting immediately after the second sentence the following: "Notwithstanding any other provision of this paragraph, the Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the reduced acreage to be devoted to hay and grazing."; and

(4) in paragraph (5)—

(A) in the first sentence, striking out "The Secretary may" and inserting in lieu thereof "Except as otherwise provided in this paragraph for the 1983 and 1984 crops of feed grains, the Secretary may"; and

(B) adding at the end thereof the following: "Notwithstanding the foregoing provisions of this paragraph, the Secretary shall implement a land diversion payment program for the 1984 crop of feed grains under which the Secretary shall make crop retirement and conservation payments to any producer of the 1984 crop of feed grains whose farm acreage planted to feed grains for harvest is reduced so that it does not exceed the feed grain acreage base for the farm less an amount equivalent to 10 per centum of the feed grain acreage base (or such greater percentage as the Secretary may prescribe) in addition to the reduction under the acreage limitation program for the crop under paragraph (2) of this subsection, and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction from the feed grain acreage base required under this sentence. Such payments shall be made in an amount computed by multiplying (i) the diversion payment rate, by (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under the preceding sentence. The diversion payment rate shall be established by the Secretary at not less than $2.00 per bushel for corn. The payment rate for grain sorghums, oats, and barley shall be such rate as the Secretary determines is fair and reasonable in relation to the rate at which payments are made available for corn. The Secretary shall, upon the request of a participating producer, make all or any part of the diversion payment available to the producer in commodities rather than in cash: *Provided,* That, if Commodity Credit Corporation stocks of feed grains are not readily available to effect full payment in kind to a producer participating in the program, the Secretary may substitute, fully or partially, payment in cash for payment in kind. If payment in kind is made as provided in this paragraph, such payments shall be made in an amount computed by multiplying (i) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop by (ii) the additional acreage diverted under this paragraph. For the 1985 crop of feed grains, if the Secretary determines that an acreage reduction program will be required, as provided in paragraph (1)(D) of this subsection, notwithstanding the foregoing provisions of this paragraph, the Secretary shall implement a land diversion payment program for the 1985 crop of feed grains under which the Secretary shall make crop retirement and conservation payments to any producer of the 1985 crop of feed grains whose farm acreage planted to feed grains for harvest is reduced so that it does not exceed the feed grains acreage base for the farm less that per centum of the feed grains acreage base that is equal to 50 per centum (or such greater percentage as the Secretary may prescribe) of the overall reduction in acreage planted to feed grains required under the acreage reduction program, as provided under paragraph (1)(D) of this subsection, in addition to the reduction under the acreage limitation program for the crop under paragraph (2) of this subsection, and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction from the feed grains acreage base required under this sentence. Such payments shall be made in an amount computed by multiplying (i) the diversion payment rate, (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under the preceding sentence. The diversion payment rate shall be established by the Secretary at not less than $3.25 per bushel. The Secretary shall, upon the request of a participating producer, make all or any part of the diversion payment available to the producer in commodities rather than in cash: *Provided*, That, if the Commodity Credit Corporation stocks of feed grains are not readily available to effect full payment in kind to a producer participating in the program, the Secretary may substitute fully or partially, payment in cash for payment in kind. If payment in kind is made as provided in this paragraph, such payments shall be in an amount computed by multiplying (i) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop by (ii) the additional acreage diverted under this paragraph. Notwithstanding any other provision of law, in cases where a producer practices double cropping, and where participation in this program for one commodity reduces the acreage that may be planted to the second commodity, the Secretary shall make equitable adjustment in the payment made under this section to account for the reduction in the second commodity."; and

(5) inserting at the end thereof the following: "Notwithstanding any other provision of law, for the 1984 and 1985 crops of feed grains the terms fed grains shall include corn, grain sorghum, barley and oats for the purpose of this subsection.".

FEED GRAIN DISASTER PAYMENTS

SEC. 204. Effective on enactment through the end of the 1985 crops, section 105B(b)(2) of the Agricultural Act of 1949 (7 U.S.C. 1444d(b)(2)) is amended by—

(1) in subparagraph (A), in the first sentence, striking out "Except as provided in subparagraph (C) of this paragraph, if" and inserting in lieu thereof "If";

(2) in subparagraph (C), inserting "reduced yield" immediately before "disaster payments"; and

(3) in subparagraph (D)—

(A) inserting "reduced yield" immediately before "disaster payments"; and

(B) in clause (i), striking out "either from being prevented from planting feed grains or other nonconserving crop or".

TITLE III—UPLAND COTTON

UPLAND COTTON LOANS

SEC. 301. The second sentence of section 103(g)(1) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)(1)) is amended by inserting immediately before the period at the end thereof "for the 1982 and 1983 crops and not less than 70 cents per pound for the 1984 and 1985 crops.".

UPLAND COTTON TARGET PRICES

SEC. 302. Section 103(g)(3)(B) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)(3)B)) is amended by striking out "$0.81 per pound for the 1984 crop, and $0.86 per pound for the 1985 crop" and inserting in lieu thereof "$0.83 per pound for the 1984 crop, and $0.88 per pound for the 1985 crop".

ACREAGE REDUCTION PROGRAM AND PAID DIVERSION FOR THE 1984 AND 1985 CROPS OF UPLAND COTTON

SEC. 303. Section 103(g)(9) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)(9)) is amended by—

(1) in subparagraph (A) by—

(A) in the first sentence, striking out "Notwithstanding any other provision of this subsection" and inserting in lieu thereof "Notwithstanding any other provision of law, except as provided in the second through seventh sentences of this paragraph";

(B) inserting immediately after the first sentence the following: "For the 1984 crop of upland cotton, the Secretary shall provide for a combination of (i) an acreage limitation program as described under this subparagraph and (ii) a diversion program as described under subparagraph (B) of this paragraph under which, for participating producers, the acreage on the farm planted to upland cotton for harvest shall be limited to the upland cotton acreage base for the farm reduced by a total of not less than 20 per centum, consisting of a reduction of 50 per centum of such amount under the acreage limitation program and a reduction of 50 per centum of such amount under the diversion program. As a condition of eligibility for loans and payments on the 1984 crop of upland cotton, the producers on a farm must comply with the terms and conditions of the combined acreage limitation program and diversion program. For the 1985 crop of upland cotton, the Secretary shall provide for an acreage reduction program if the Secretary determines that the total supply of upland cotton available during the marketing year for the 1985 crop of upland cotton will, in the absence of such program, exceed by more than 25 per centum the quantity the Secretary estimates will be used domestically and for export during the marketing year for such crop. Under such an acreage reduction program, the Secretary shall provide for a combination of (i) an acreage limitation program as described under this subparagraph and (ii) a diversion program as described under subparagraph (B) of this paragraph under which, for participating producers, the acreage on the farm planted to upland cotton for harvest shall be limited to the upland cotton acreage base for the farm, as determined under this subparagraph, reduced by such total percentage as the Secretary determines necessary, such total percentage consisting of a reduction of 50 per centum of such amount (or such greater percentage as the Secretary determines necessary) under the diversion program and a reduction of 50 per centum of such amount (or such lesser percentage as the Secretary determines necessary) under the acreage limitation program. The Secretary shall, in establishing the total percentage of acreage on farms planted to upland cotton for harvest to be reduced, set the percentage at a level sufficient to ensure that the total supply of upland cotton available during the marketing year for the 1985 crop of upland cotton will be no more than 125 per centum of the quantity the Secretary estimates will be used domestically and for export during the marketing year for such crop. As a condition of eligibility for loans and payments on the 1985 crop of upland cotton, the producers on a farm must comply with the terms and conditions of the combined acreage limitation program and diversion program.";

(C) inserting immediately after the sixth sentence the following: "Notwithstanding any other provision of this paragraph, the acreage base for any farm for the purpose of determining any reduction required to be made for the 1984 crop or the 1985 crop as the result of a limitation under this subsection shall be the average acreage planted on the farm to upland cotton for harvest in two of the three crop years immediately preceding the year for which the determination is made. The producer shall have the option of determining which two years will be used for the determination of the average acreage for the farm. For the purpose of the two preceding sentences, acreage planted to upland cotton for harvest shall include any acreage not planted to upland cotton for the purpose of participating in any acreage reduction program authorized under this Act, any acreage which the producers were prevented from planting to upland cotton on other nonconserving crop in lieu of upland cotton because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The Secretary shall make adjustments to reflect established crop-rotation practices and the Secretary may make adjustments to reflect such other factors as he determines should be considered in determining a fair and equitable base. Where practicable, the Secretary may allow the consolidation of base acreages among farms to encourage participation in acreage reduction programs.";

(D) inserting immediately after the ninth sentence the following: "Notwithstanding any other provision of this subparagraph the Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the reduced acreage to be devoted to hay and grazing."; and

(2) in subparagraph (B)—

(A) in the first sentence, striking out "The Secretary may" and inserting in lieu thereof "Except as otherwise provided in this subparagraph for the 1984 crop of upland cotton, the Secretary may"; and

(B) adding at the end thereof the following: "Notwithstanding the foregoing provisions of this subparagraph, the Secretary shall implement a land diversion payment program for the 1984 crop of upland cotton under which the Secretary shall make crop retirement and conservation payments to any producer of the 1984 crop of upland cotton whose farm acreage planted to upland cotton for harvest is reduced so that it does not exceed the upland cotton acreage base for the farm less an amount equivalent to 10 per centum of the upland cotton acreage base (or such greater percentage as the Secretary may prescribe) in addition to the reduction made under the acreage limitation program for the crop under subparagraph (A) of this paragraph, and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction from the upland cotton acreage base required under this sentence. Such payments shall be made in an amount computed by multiplying (i) the diversion payment rate, by (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under the preceding sentence. The diversion payment rate shall be established by the Secretary at not less than 30 cents per pound. The Secretary shall, upon the request of a participating producer, make all or any part of the diversion payment available to the producers in commodities rather than in cash: *Provided*, That, if Commodity Credit Corporation stocks of upland cotton are not readily available to effect full payment in kind to a producer participating in the program, the Secretary may substitute, fully or partially, payment in cash for payment in kind. If payment in kind is made as provided in this subparagraph, such payments shall be made in an amount computed by multiplying (i) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop by (ii) the additional acreage diverted under this subparagraph. For the 1985 crop of upland cotton, if the Secretary determines that an acreage reduction program will be required, as provided in subparagraph (A) of this paragraph, notwithstanding the foregoing provisions of this subparagraph, the Secretary shall implement a land diversion payment program for the 1985 crop of upland cotton under which the Secretary shall make crop retirement and conservation payments to any producer of the 1985 crop of upland cotton whose farm acreage planted to upland cotton for harvest is reduced so that it does not exceed the upland cotton acreage base for the farm less that per centum of the upland cotton acreage base that is equal to 50 per centum (or such greater percentage as the Secretary may prescribe) of the overall reduction in acreage planted to upland cotton required under the acreage reduction program in addition to the reduction under the acreage limitation program for the crop under subparagraph (A) of this paragraph, and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction from the upland cotton acreage required under this sentence. Such payments shall be made in an amount computed by multiplying (i) the diversion payment rate, by (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under the preceding sentence. The diversion payment rate shall be established by the Secretary at not less than 30 cents per pound. The Secretary shall, upon the request of a participating producer, make all or any part of the diversion payment available to the producers in commodities rather than in cash: *Provided*, That, if Commodity Credit Corporation stocks of upland cotton are not readily available to effect full payment in kind to a producer participating in the program, the Secretary may substitute, fully or partially, payment in cash for payment in kind. If payment in kind is made as provided in this subparagraph, such payments shall be made in an amount computed by multiplying (i) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop by (ii) the additional acreage diverted under this subparagraph. Notwithstanding any other provision of law, in cases where a producer practices double cropping, and where participation in this program for one commodity reduces the acreage that may be planted to the second commodity, the Secretary shall make equitable adjustments in the payments made under this section to account for the reduction in the second commodity.".

UPLAND COTTON DISASTER PAYMENTS

SEC. 304. Effective on enactment through the end of the 1985 crops, section 103(g)(4) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)(4)) is amended by—

(1) in subparagraph (A), in the first sentence, striking out "Except as provided in subparagraph (C), if" and inserting in lieu thereof "If";

(2) in subparagraph (C), inserting "reduced yield" immediately before "disaster payments"; and

(3) in subparagraph (D)—

(A) inserting "reduced yield" immediately before "disaster payments"; and

(B) in clause (i), striking out "either from being prevented from planting cotton or other nonconserving crop or".

TITLE IV—RICE

RICE LOANS

SEC. 401. The second sentence of section 101(i)(1) of the Agricultural Act of 1949 (7 U.S.C. 1441(i)(1)) is amended by striking out "$8 per hundredweight" and inserting in lieu thereof "$8 per hundredweight for the 1982 and 1983 crops and not less than $8.60 per hundredweight for the 1984 and 1985 crops".

RICE TARGET PRICES

SEC. 402. Section 101(i)(2)(C) of the Agricultural Act of 1949 (7 U.S.C. 1441(i)(2)(C)) is amended by striking out "$11.90 per hundredweight for the 1984 crop, and $12.40 per hundredweight for the 1985 crop" and inserting in lieu thereof "$11.94 per hundredweight for the 1984 crop, and $12.43 per hundredweight for the 1985 crop".

ACREAGE REDUCTION PROGRAM AND PAID DIVERSION FOR THE 1984 AND 1985 CROPS OF RICE

SEC. 403. Section 101(i)(5) of the Agricultural Act of 1949 (7 U.S.C. 1441(i)(5)) is amended by—

(1) in subparagraph (A)—

(A) in the first sentence, striking out "third and fourth sentences" and inserting in lieu thereof "third through tenth sentences";

(B) inserting immediately after the fourth sentence the following: "For the 1984 crop of rice, the Secretary shall provide for a combination of (i) an acreage limitation program as described under this subparagraph and (ii) a paid diversion program as described under subparagraph (B) of this paragraph under which, for participating producers, the acreage on the farm planted to rice for harvest shall be limited to the rice acreage base for the farm reduced by a total of not less than 20 per centum, consisting of a reduction of 50 per centum of such amount under the acreage limitation program and a reduction of 50 per centum of such amount under the diversion program. As a condition of eligibility for loans and payments on the 1984 crop of rice, the producers on a farm must comply with the terms and conditions of the combined acreage limitation program and diversion program. For the 1985 crop of rice, the Secretary shall provide for an acreage reduction program if the Secretary determines that the total supply of rice available during the marketing year for the 1985 crop of rice will, in the absence of such program, exceed by more than 25 per centum the quantity the Secretary estimates will be used domestically and for export during the marketing year for such crop. Under such an acreage reduction program, the Secretary shall provide for a combination of (i) an acreage limitation program as described under this subparagraph and (ii) a diversion program as described under subparagraph (B) of this paragraph under which, for participating producers, the acreage on the farm planted to rice for harvest shall be limited to the rice acreage base for the farm, as determined under this subparagraph, reduced by such total percentage as the Secretary determines necessary, such total percentage consisting of a reduction of 50 per centum of such amount (or such greater percentage as the Secretary determines necessary) under the diversion program and a reduction of 50 per centum of such amount (or such lesser percentage as the Secretary determines necessary) under the acreage limitation program. The Secretary shall, in establishing the total percentage of acreage on farms planted to rice for harvest to be reduced, set the percentage at a level sufficient to ensure that the total supply of rice available during the marketing year for the 1985 crop of rice will be no more than 125 per centum of the quantity the Secretary estimates will be used domestically and for export during the marketing year for such crop. As a condition of eligibility for loans and payments on the 1985 crop of rice, the producers on a farm must comply with the terms and conditions of the combined acreage limitation program and diversion program."; and

(C) inserting immediately after the tenth sentence the following: "Notwithstanding any other provision of this paragraph, the acreage base for any farm for the purpose of determining any reduction required to be made for the 1984 crop or the 1985 crop as the result of a limitation under this subsection shall be the average acreage planted on the farm to rice for harvest in two of the three crop years immediately preceding the year for which the determination is made. The producer shall have the option of determining which two years will be used for the determination of the average acreage for the farm. For the purpose of the two preceding sentences, acreage planted to rice for harvest shall include any acreage not planted to rice for the purpose of participating in any acreage reduction program authorized under this Act, any acreage which the producers were prevented from planting to rice or other nonconserving crop in lieu of rice because of drought, flood, or other natural disaster, or other condition beyond the control of the producers. The Secretary shall make adjustments to reflect crop-rotation practices and the Secretary may make adjustments to reflect such other factors as he determines should be considered in determining a fair and equitable base. Where practicable, the Secretary may allow the consolidation of base acreages among farms to encourage participation in acreage reduction programs."; and

(D) inserting immediately after the twelfth sentence: "Notwithstanding any other provision of this subparagraph, the Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of the reduced acreage to be devoted to hay and grazing."; and

(2) In subparagraph (B)—

(A) in the first sentence, striking out "The Secretary may" and inserting in lieu thereof "Except as otherwise provided in this subparagraph for the 1983, 1984, and 1985 crops of rice, the Secretary may"; and

(B) adding at the end thereof the following: "Notwithstanding the foregoing provisions of this subparagraph, the Secretary shall implement a land diversion payment program for the 1984 crop of rice under which the Secretary shall make crop retirement and conservation payments to any producer of the 1984 crop of rice whose farm acreage planted to rice for harvest is reduced so that it does not exceed the rice acreage base for the farm less an amount equivalent to 10 per centum of the rice acreage base (or such greater percentage as the Secretary may prescribe) in addition to the reduction required under subparagraph (A) of this paragraph, and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction from the rice acreage base required under this sentence. Such payments shall be made in an amount computed by multiplying (i) the diversion payment rate, by (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under the preceding sentence. The diversion payment rate shall be established by the Secretary at not less than $3.00 per hundredweight. The Secretary shall, upon the request of a participating producer, make all or any part of the diversion payment available to producers in commodities rather than in cash: *Provided*, That, if Commodity Credit

Corporation stocks of rice are not readily available to effect full payment in kind to a producer participating in the program, the Secretary may substitute, fully or partially, payment in cash for payment in kind. If payment in kind is made as provided in this subparagraph, such payments shall be made in an amount computed by multiplying (i) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop by (ii) the additional acreage diverted under this subparagraph. For the 1985 crop of rice, if the Secretary determines that an acreage reduction program will be required, as provided in subparagraph (A) of this paragraph, notwithstanding the foregoing provisions of this subparagraph, the Secretary shall implement at land diversion payment program for the 1985 crop of rice under which the Secretary shall make crop retirement and conservation payments to any producer of the 1985 crop of rice whose farm acreage planted to rice for harvest is reduced so that it does not exceed the rice acreage base for the farm less that per centum of the rice acreage base that is equal to 50 per centum (or such greater percentage as the Secretary may prescribe) of the overall reduction in acreage planted to rice required under the acreage reduction program in addition to the reduction under the acreage limitation program for the crop under subparagraph (A) of this paragraph, and the producer devotes to approved conservation uses an acreage of cropland equivalent to the reduction from the rice acreage base required under this sentence. Such payments shall be made in an amount computed by multiplying (i) the diversion payment rate, by (ii) the farm program payment yield for the crop, by (iii) the additional acreage diverted under the preceding sentence. The diversion payment rate shall be established by the Secretary at not less than $3.00 per hundredweight. The Secretary shall, upon the request of a participating producer, make all or any part of the diversion payment available to producers in commodities rather than in cash: *Provided*, That, if Commodity Credit Corporation stocks of rice are not readily available to effect full payment in kind to a producer participating in the program, the Secretary may substitute, fully or partially, payment in cash for payment in kind. If payment in kind is made as provided in this subparagraph, such payments shall be made in an amount computed by multiplying (i) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop by (ii) the additional acreage diverted under this subparagraph. Notwithstanding any other provision of law, in cases where a producer practices double cropping, and where participation in this program for one commodity reduces the acreage that may be planted to the second commodity, the Secretary shall make equitable adjustments in the payment made under this section to account for the reduction in the second commodity.".

RICE DISASTER PAYMENTS

SEC. 404. Effective on enactment through the end of the 1985 crops, section 101(i)(3) of the Agricultural Act of 1949 (7 U.S.C. 1441(i)(3)) is amended by—

(1) in subparagraph (A), in the first sentence, striking out "Except as provided in subparagraph (C) of this paragraph, if" and inserting in lieu thereof "If";

(2) in subparagraph (C) inserting "reduced yield" before "disaster payments"; and

(3) in subparagraph (D)—

(A) inserting "reduced yield" immediately before "disaster payments"; and

(B) in clause (i), striking out "either from being prevented from planting rice or other nonconserving crop or".

TITLE V—SOYBEANS

SOYBEAN LOANS

SEC. 501. The first sentence of section 201(g)(1) of the Agricultural Act of 1949 (7 U.S.C. 1446(g)(1)) is amended by—

(1) striking out "5.02 per bushel" and inserting in lieu thereof "5.02 per bushel for the 1982 and 1983 marketing years and $5.40 per bushel for the 1984 and 1985 marketing years"; and

(2) striking out ": *Provided,*" and all that follows through the period at the end thereof and inserting in lieu thereof a period.

TITLE VI—SPECIAL PAYMENT-IN-KIND LAND DIVERSION PROGRAM

DEFINITIONS

SEC. 601. As used in this title—

(1) the term "payment-in-kind program" means a program under which special payments in kind are made available to producers who—

(A) divert farm acreage from production of an agricultural commodity under a land diversion program for the 1983, 1984, or 1985 crops of such commodity; and

(B) devote such acreage to conservation uses; and

(2) the term "Secretary" means the Secretary of Agriculture.

MINIMUM VALUE OF COMMODITIES

SEC. 602. Notwithstanding any other provision of law, if the Secretary establishes a payment-in-kind program for a commodity, the Secretary shall take such action as may be necessary, including the making of cash payments, to ensure that the total value of the commodity received by the producer of the commodity is equal, per unit of the commodity, to an amount not less than 90 per centum of the basic county loan rate for the commodity (or, if there is no such rate, a rate determined by the Secretary to be comparable to the basic county loan rate).

MINIMUM PAYMENTS

SEC. 603. Notwithstanding any other provision of law, if the Secretary establishes a payment-in-kind program for a commodity, payment under such program shall be in an amount computed by multiplying—

(1) 80 per centum (or such greater percentage as the Secretary may prescribe) of the farm program payment yield for the crop; by

(2) the additional acreage diverted under such program.

TITLE VII—ADVANCE PAYMENTS

SEC. 701. Section 107C(b)(1) of the Agricultural Act of 1949 (7 U.S.C. 1445b-2(b)(1)) is amended by striking out "commodity for such crop, the Secretary—" and all that follows down to the period at the end thereof and inserting in lieu thereof "commodity for such crop, the Secretary shall make available, as provided in this section (other than subsection (a)), advance deficiency payments for such crop to producers who agree to participate in such program.".

TITLE VIII—PAYMENT LIMITATION

SEC. 801. Effective for the 1983 through 1985 crops of wheat, feed grains, upland cotton and rice, section 1101 of the Agricultural Act of 1949 (7 U.S.C. 1308) is amended in paragraph (3) by striking out "(excluding land diversion payments)".

TITLE IX—EARLY ANNOUNCEMENT OF PROGRAMS

WHEAT

SEC. 901. Section 107B of the Agricultural Act of 1949 (7 U.S.C. 1445b-1) is amended—

(1) by striking out "August 15" in the second sentence of subsection (c)(1) and inserting in lieu thereof "June 15"; and

(2) by striking out "August 15" in the second sentence of subsection (e)(1)(A), as amended by section 122(1) of the Omnibus Budget Reconciliation Act of 1982, and inserting in lieu thereof "June 15".

FEED GRAINS

SEC. 902. Section 105B of the Agricultural Act of 1949 (7 U.S.C. 1444d) is amended—

(1) by striking out "November 15" in the second sentence of subsection (c)(1) and inserting in lieu thereof "September 15"; and

(2) by striking out "November 15" in the second sentence of subsection (e)(1)(A), as amended by section 124(1) of the Omnibus Budget Reconcilitation Act of 1982, and inserting in lieu thereof "September 15".

UPLAND COTTON

SEC. 903. Section 103(g) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)) is amended—

(1) by striking out "November 1" in the fourth sentence of paragraph (1) and inserting in lieu thereof "September 1"; and

(2) by striking out "November 1" in the second sentence of paragraph (5) and inserting in lieu thereof "September 1".

RICE

Sec. 904. Section 101(i) of the Agricultural Act of 1949 (7 U.S.C. 1441(i)) is amended—

(1) by striking out "March 1" in the last sentence of paragraph (1) and inserting in lieu thereof "January 1";

(2) by striking out "January 31 of each calendar year for the crop harvested in that calendar year" in the second sentence of paragraph (4)(A) and inserting in lieu thereof "November 30 of each calendar year preceding the calendar year in which the crop is harvested"; and

(3) by striking out "January 30 of" in the second sentence of paragraph (5)(A) and inserting in lieu thereof "November 30 of the calendar year preceding".

EFFECTIVE DATE

Sec. 905. The amendments made by this title shall apply to the 1984 and 1985 crops of wheat, feed grains, upland cotton, and rice.

TITLE X—SPECIAL SOIL AND WATER CONSERVATION PROGRAM

DEFINITIONS

Sec. 1001. As used in this title—

(1) the term "erosion-prone land" means land classified as classes IIIe, IVe, VI, VII, and VIII

under the land capability classification system used by the Soil Conservation Service and upon which cultivated or rotation crops have been grown in three out of the past five years.

(2) the term "Secretary" means the Secretary of Agriculture.

(3) the terms "owner or operator" means the owner or operator of erosion-prone land.

SPECIAL SOIL AND WATER CONSERVATION PROGRAM

SEC. 1002. (a) Notwithstanding any other provision of law, the Secretary may formulate and carry out a program with owners and operators of erosion-prone land to assist such owners or operators to make, in orderly progression, changes in their cropping and land use systems needed to conserve, develop, protect, and use the soil and water resources of their farms, ranches, or other lands and to implement the soil and water conservation measures and practices needed under such changed systems and uses. In assisting such owners and operators, the Secretary shall provide technical and financial assistance for the purpose of carrying out this section. Notwithstanding any other provision of this title, the Secretary may approve contracts covering other than erosion-prone land upon a demonstration by the soil conservation district that a serious soil erosion problem exists on such land.

(b) The Secretary may enter into contracts of not more than ten years for the purpose of carrying out this section. In such contract, the owner or operator shall agree (1) to effectuate a plan approved by a soil conservation district for the farm, ranch, or other land substantially in accordance with the schedule outlined therein unless any requirement thereof is waived or modified by the Secretary; (2) to forfeit all rights to further payments under the contract and refund to the United States all payments, with interest, received thereunder upon his violation of the contract at any stage during the time he has control of the land if the Secretary, after considering the recommendations of the soil conservation district and the Administrator of the Soil Conservation Service, determines that such violation is of such a nature as to warrant termination of the contract, or to make refunds or accept such payment adjustments as the Secretary may deem appropriate if he determines that the violation by the owner or operator does not warrant termination of the contract; (3) upon transfer of his right and interest in the farm, ranch, or other land during the contract period to forfeit all rights to further payments under the contract and refund to the United States all payments received thereunder, unless the transferee of any such land agrees with the Secretary to assume all obligations under the contract; (4) not to adopt any practice specified in the contract by the Secretary as a practice that would tend to defeat the purposes of the contract; and (5) to such additional provisions as the Secretary determines are desirable and are included in the contract to effectuate the purposes of the program or to facilitate the practical administration thereof.

(c) In return for such agreement by the owner or operator, the Secretary shall agree to provide technical assistance and to share the cost of carrying out the land use conversions and conservation measures and practices set forth in the contract for which the Secretary determines that cost sharing is appropriate and in the public interest. The portion of such cost (including labor and maintenance costs) to be shared shall be that part that the Secretary determines is necessary and appropriate to effectuate the installation and maintenance of the conservation plantings and practices for a normally expected life of such a planting or practice.

(d) Payments made under this section shall be made in accordance with a formula developed by the Secretary. In developing such formula, the Secretary shall take into consideration (1) the costs of establishing and maintaining the agreed-upon conservation measures, plantings, and practices for a normal lifespan; (2) the severity of the erosion hazard on the land to be converted from cropland to permanent cover; and (3) the willingness of the owner operator, as evidenced in the contract, to apply the conservation measures, specified in the contract, early in the life of the contract and maintain them for their normally expected life.

(e) Notwithstanding any other provision of law, payments under this section shall be made in cash or in in-kind commodities in such amounts as agreed upon and specified in the contract. However, the use of any Commodity Credit Corporation-held commodity in making payment under this section is subject to a finding by the Secretary that payments in-kind of such commodity will not displace to any significant degree the usual marketings of such commodity. If the payment is made with in-kind commodities, the payments shall be made by delivery by the Commodity Credit Corporation of the commodity involved to the owner or operator at a warehouse or other similar facility located in the county in which the farm, ranch, or other land is located or such other location as agreed to by the Secretary and the owner or operator, by the transfer of negotiable warehouse receipts, or by such other method determined by the Secretary to be appropriate, including sale of the commodity in commercial markets, to enable the owner or operator efficiently and expeditiously to receive possession of the commodity. If Commodity Credit Corporation stocks of the commodity are not readily available to effect full payment in kind to an owner or operator participating in this program, the Secretary may substitute fully or partially payment in cash for payment in kind.

(f) The Secretary shall provide the owner or operator the option to elect to receive payments under this section on a schedule, as outlined in the contract, that provides for a close correlation between the time the costs for conservation measures and practices are incurred by the owner or operator and the time the Secretary makes the payment to the owner or operator. Where appropriate, the Secretary may make payments in advance of the performance of the conservation measures and practices.

(g) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments under the program.

(h) The Secretary shall provide by appropriate regulations for preservation of cropland, crop acreage, and allotment history applicable to acreage diverted from the production of crops to establish vegetative cover for the purpose of any Federal program under which such history is used as a basis for an allotment or other limitation or for participation in such program.

(i) The Secretary shall, within sixty days after the enactment of this Act, publish in the Federal Register regulations implementing this title, including the technical definition of erosion-prone land.

(j) In carrying out the program authorized by this title, the Secretary may use the funds, facilities, and authorities of the Commodity Credit Corporation.

ADDITIONAL AUTHORITY

SEC. 1003. The authority provided by this title shall be in addition to and not in place of other authorities available to the Secretary and the Commodity Credit Corporation for carrying out soil and water conservation programs.

TITLE XI—AGRICULTURAL EXPORT MARKET EXPANSION

SEC. 1101. The Agricultural and Food Act of 1981 is amended by inserting after section 1209 a new section as follows:

"EXPANSION OF UNITED STATES AGRICULTURAL EXPORTS THROUGH THE USE OF COMMODITIES ACQUIRED BY THE COMMODITY CREDIT CORPORATION

"SEC. 1209A. (a) Notwithstanding any other provision of law, the Secretary of Agriculture may formulate and carry out a program under which commodities acquired by the Commodity Credit Corporation are tendered at no cost to United States exporters and processors for export, and foreign purchasers, to encourage development, maintenance, and expansion of markets for United States agricultural commodities and the products thereof.

"(b) In carrying out the program authorized by this section, the Secretary shall—

"(1) take such action as may be necessary to ensure that the program provides equal treatment to domestic and foreign purchasers and users of United States agricultural commodities in any case where the importation into the United States of a manufactured product made, in whole or in part, from a commodity made available for export under this section would place domestic users of the commodity at a competitive disadvantage;

"(2) ensure that any use of Commodity Credit Corporation stocks for the purposes of the program authorized under this section be made in such manner as to encourage increased use, and avoid displacing usual marketings, of United States agricultural commodities and products thereof; and

"(3) take reasonable precautions to prevent the resale or transshipment to other nations, or use for other than domestic use in the nation to which stocks of the Commodity Credit Corporation are shipped, of the stocks of the Commodity Credit Corporation made available to export participants in the program.

"(c) The Secretary of Agriculture shall carry out the program authorized by this section through the Commodity Credit Corporation.

"(d) The Secretary of Agriculture may issue such regulations as the Secretary deems necessary to carry out this section.

"(e) The authority provided under this section shall be in addition to, and not in place of, any authority granted to the Secretary of Agriculture or the Commodity Credit Corporation under any other provision of law.".

EXPANDED AUTHORITY FOR THE DONATION ABROAD OF COMMODITY CREDIT CORPORATION STOCKS

SEC. 1102. Section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431) is amended by striking out the last two sentences and inserting in lieu thereof the following: "Such dairy products and other agricultural commodities and products thereof acquired by the Commodity Credit Corporation also may be donated through foreign governments and public and nonprofit private humanitarian organizations for the assistance of needy persons outside the United States, and the Commodity Credit Corporation may pay, with respect to commodities and products thereof so donated, reprocessing, packaging, transporting, handling, and other charges, including the cost of overseas delivery. To ensure that any such donations for use outside the United States complement, and are coordinated with, other United States foreign assistance, such donations shall be coordinated through the mechanism designated by the President to coordinate assistance under the Agricultural Trade Development and Assistance Act of 1954 and shall be in addition to the level of assistance programed under that Act. Agricultural commodities and products thereof acquired by the Commodity Credit Corporation may also be used to increase the level of agricultural exports under titles I and III of the Agricultural Trade Development and Assistance Act of 1954 consistent with the purposes of that Act and shall be in addition to the level of assistance programed under that Act.".

LIMITED USE OF WHEAT IN THE FOOD SECURITY RESERVE FOR THE PURPOSES OF EXPORT DEVELOPMENT

SEC. 1103. (a) Notwithstanding any other provision of law, effective only during the 1983 and 1984 fiscal years, up to two million metric tons of wheat available under section 302(a) of the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f–1(a)) may be used for the purpose of the development, maintenance, and expansion of markets for wheat as provided in section 1209A of the Agriculture and Food Act of 1981: *Provided*, That, if wheat from the reserve is so used, the Secretary of Agriculture shall replenish the reserve with a quantity of wheat, equal to or greater than the quantity of wheat used, pursuant to the provisions of section 302(b) of the Food Security Wheat Reserve Act of 1980, by such date as is practicable, but in no case later than September 30, 1984.

(b) Section 302(b)(2) of the Food Security Wheat Reserve Act of 1980 (7 U.S.C. 1736f–1(b)(2)) is amended by striking out the second sentence.

TITLE XII—AGRICULTURAL CREDIT

LOAN DEFERRALS AND MORATORIUM ON FORECLOSURES

SEC. 1201. Section 331A of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981a) is amended by—

(1) inserting the designation "(a)" before the existing text thereof;

(2) in the second sentence, striking out "section" and inserting in lieu thereof "subsection"; and

(3) adding at the end thereof the following new subsections:

"(b) During the period beginning with the date of enactment of this subsection and ending September 30, 1983, the Secretary shall permit, at the request of the borrower, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary for farm ownership purposes under subtitle A of this title, farm operating purposes under subtitle B of this title, or economic emergency purposes under the

Emergency Agricultural Credit Adjustment Act of 1978, and shall forego foreclosure of any such loan, in both cases on a showing by the borrower that the borrower (1) has followed good management practices, (2) due to circumstances beyond the borrower's control, is temporarily unable to continue making payment on such principal and interest when due, and (3) has a reasonable chance of repayment of the loan after the deferral of principal and interest and forgoing of foreclosure. The Secretary shall waive the payment of interest that accrues during the deferral period on any loan deferred under the provisions of this subsection. The provisions of this subsection shall be applicable only to borrowers who own or operate family-size farms, as certified by the county committee.

"(c) Upon the expiration of any period of deferral of payment of principal and interest and foregoing of foreclosure by the Secretary under subsection (b) of this section, the Secretary shall make available to the borrower, at the borrower's request, procedures whereby the loan may be consolidated, rescheduled, or reamortized to provide equitable repayment terms consistent with the borrower's farm and financial situation, and any loan so consolidated, rescheduled, or reamortized shall bear interest at a rate not in excess of the rate of interest on the original loan.

"(d) The Secretary shall promulgate regulations that provide (1) for notification of all farm borrowers under this Act and the Emergency Agricultural Credit Adjustment Act of 1978 of the provisions of this section and all other servicing alternatives offered by the Secretary, (2) clear procedures by which borrowers may petition the Secretary for relief under such provisions and alternatives, and (3) for appeal within the Department of Agriculture from a decision that denies relief under such provisions and alternatives.

"(e) Any farm loan deferred, consolidated, rescheduled, or reamortized under any authority of the Secretary under this title other than under subsections (b) and (c) of this section shall, notwithstanding any other provision of this title, bear interest on the balance of the original loan and for the term of the original loan at a rate not in excess of the rate of interest on the original loan.".

ECONOMIC EMERGENCY LOAN PROGRAM

SEC. 1202. (a) Section 202 of the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. prec. 1961 note) is amended by striking out "The Secretary of Agriculture may" and inserting in lieu thereof "The Secretary of Agriculture shall".

(b) Section 211 of the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. prec. 1961 note) is amended by—

(1) striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1984"; and

(2) immediately after "$600,000,000", inserting a comma and "except that, in fiscal year 1983, such $600,000,000 shall be in addition to the total amount of money borrowed under contracts of guarantee entered into under the authorization provided in the Act of December 18, 1982 (Public Law 97-370, 96 Stat. 1799)".

TITLE XIII—PRODUCER RESERVE PROGRAM FOR WHEAT AND FEED GRAINS

LOAN RATES

SEC. 1301. The second sentence of section 110(b) of the Agricultural Act of 1949 (7 U.S.C. 1445e(b)) is amended by striking out "not be less" and inserting in lieu thereof "at least 5 percent greater".

IMMEDIATE ENTRY FOR THE 1983 THROUGH 1985 CROPS

SEC. 1302. Section 110(e) of the Agricultural Act of 1949 (7 U.S.C. 1445e(e)) is amended by inserting at the end thereof the following: "Notwithstanding any other provision of law, if the Secretary determines that a producer reserve program, as authorized in this section, will be offered for the 1983, 1984, or 1985 crops of wheat or feed grains, the Secretary shall provide for the entry of the commodity for each of such crops under the producer reserve program no later than the beginning of the marketing year for each of such crops.".

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Staff Summary of Major Provisions of Title XI of S. 575
Emergency Agricultural Adjustment Act of 1983

Title XI of S. 575, introduced by Senator Boren, would:

1. Authorize the Secretary of Agriculture to establish an export expansion program under which CCC commodities may be tendered at no cost to U.S. exporters and processors for export, and foreign purchasers to encourage foreign market development for U.S. commodities and products thereof. Under this export "PIK" program--

   * domestic purchasers and users would be provided equal treatment relative to foreign purchasers and users in cases where domestic users may be disadvantaged as a result of the program;

   * the Secretary must ensure that CCC stocks would be used in such a manner as to encourage increased use and avoid displacing usual marketings of the United States; and

   * the Secretary must take reasonable precautions to prevent resale or transshipment of commodities to other countries.

2. Expand current authority in section 416 of the Agricultural Act of 1949 (to donate stocks of dairy products to needy persons in foreign countries) to

include donations of other agricultural commodities and products thereof acquired by CCC, and authorize the use of CCC commodities under titles I and III of P.L. 480, in addition to programmed levels.

3. For fiscal years 1983 and 1984, authorize the use of up to 2 million tons of wheat from the food security wheat reserve to carry out an export PIK program for wheat as authorized under the bill. Under this provision the Secretary would be required to replenish any wheat used from the reserve, with a quantity equal to or greater than the wheat used, in accordance with the provisions of the Food Security Wheat Reserve Act of 1980 by such date as is practicable but no later than September 30, 1984. The bill would also delete the provision of current law that provides that any use of funds to replenish the wheat reserve through purchases must be authorized in appropriations Acts.

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